

FORM D APR 19 2004

NOTICE OF SALE OF SECURITIES  
PURSUANT TO REGULATION D,  
SECTION 4(6), AND/OR  
UNIFORM LIMITED OFFERING EXEMPTION

SEC USE ONLY	
Prefix	Serial
DATE RECEIVED	

Name of Offering (☐ check if this is an amendment and name has changed, and indicate change.)  
Cardinal Capital Net, Inc. Convertible Subordinated Debenture  
 Filing Under (Check box(es) that apply): ☐ Rule 504 ☐ Rule 505 ☒ Rule 506 ☐ Section 4(6) ☐ ULOE  
 Type of Filing: ☒ New Filing ☐ Amendment

## A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer

Name of Issuer (☐ check if this is an amendment and name has changed, and indicate change.)Cardinal Capital Net, Inc.

Address of Executive Offices (Number and Street, City, State, Zip Code)

601 Brickell Key Dr. Suite 102 Miami, FL

Telephone Number (Including Area Code)

305 373 4700Address of Principal Business Operations  
(if different from Executive Offices)

(Number and Street, City, State, Zip Code)

33131

Telephone Number (Including Area Code)

Brief Description of Business

Holding Company for Subsidiary Cardinal Capital Mgt, Inc B/D RA

Type of Business Organization

☒ corporation☐ business trust☐ limited partnership, already formed☐ limited partnership, to be formed☐ other (please specify):

Actual or Estimated Date of Incorporation or Organization:

Month 03Year 2004☒ Actual ☐ Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State:

CN for Canada; FN for other foreign jurisdiction)

FL

PROCESSED

APR 21 2004

## GENERAL INSTRUCTIONS

## Federal:

Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When To File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where To File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

## State:

This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

## ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice.

**A. BASIC IDENTIFICATION DATA**

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer.
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: ☐ Promoter ☒ Beneficial Owner ☒ Executive Officer ☒ Director ☐ General and/or Managing Partner

Smith, Hershel F. Jr.

Full Name (Last name first, if individual)

601 Brickell Key Dr. Suite 102 Miami, FL 33131

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☒ Beneficial Owner ☒ Executive Officer ☒ Director ☐ General and/or Managing Partner

Sweeney, Christopher A.

Full Name (Last name first, if individual)

568 Yamato Rd Boca Raton, FL 33431

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

(Use blank sheet, or copy and use additional copies of this sheet, as necessary)

# B. INFORMATION ABOUT OFFERING

1. Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering? ..... Yes ☐ No ☒
- Answer also in Appendix, Column 2, if filing under ULOE.
2. What is the minimum investment that will be accepted from any individual? ..... \$ 100,000
3. Does the offering permit joint ownership of a single unit? ..... Yes ☒ No ☐
4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

Cardinal Capital Management, Inc.

Business or Residence Address (Number and Street, City, State, Zip Code)

601 Brickell Key Dr. Suite 102 Miami, FL 33131

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) ..... ☐ All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	<u>FL</u>	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) ..... ☐ All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) ..... ☐ All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

**C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS**

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if the answer is "none" or "zero." If the transaction is an exchange offering, check this box ☐ and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt <u>(convertible)</u>	\$ <u>2,000,000</u>	\$ <u>100,000</u>
Equity	\$	\$
	<input type="checkbox"/> Common <input type="checkbox"/> Preferred	
Convertible Securities (including warrants)	\$	\$
Partnership Interests	\$	\$
Other (Specify )	\$	\$
Total	\$	\$

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	<u>1</u>	\$ <u>100,000</u>
Non-accredited Investors		\$
Total (for filings under Rule 504 only)		\$

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C — Question 1.

Type of Offering	Type of Security	Dollar Amount Sold
Rule 505		\$
Regulation A		\$
Rule 504		\$
Total		\$

- 4 a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the insurer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees	<input type="checkbox"/>	\$
Printing and Engraving Costs	<input type="checkbox"/>	\$ <u>2,000</u>
Legal Fees	<input type="checkbox"/>	\$
Accounting Fees	<input type="checkbox"/>	\$
Engineering Fees	<input type="checkbox"/>	\$
Sales Commissions (specify finders' fees separately)	<input type="checkbox"/>	\$ <u>200,000</u>
Other Expenses (identify)	<input type="checkbox"/>	\$
Total	<input type="checkbox"/>	\$ <u>202,000</u>

**C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS**

b. Enter the difference between the aggregate offering price given in response to Part C — Question 1 and total expenses furnished in response to Part C — Question 4.a. This difference is the "adjusted gross proceeds to the issuer." .....

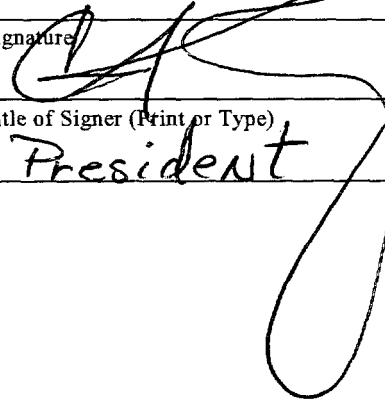
\$1,798,000

5. Indicate below the amount of the adjusted gross proceed to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C — Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments to Others
Salaries and fees .....	<input type="checkbox"/> \$ .....	<input type="checkbox"/> \$ .....
Purchase of real estate .....	<input type="checkbox"/> \$ .....	<input type="checkbox"/> \$ .....
Purchase, rental or leasing and installation of machinery and equipment .....	<input type="checkbox"/> \$ .....	<input type="checkbox"/> \$ .....
Construction or leasing of plant buildings and facilities .....	<input type="checkbox"/> \$ .....	<input type="checkbox"/> \$ .....
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger) .....	<input type="checkbox"/> \$ .....	<input type="checkbox"/> \$ .....
Repayment of indebtedness .....	<input type="checkbox"/> \$ .....	<input type="checkbox"/> \$1,600,000
Working capital .....	<input type="checkbox"/> \$ .....	<input type="checkbox"/> \$198,000
Other (specify): .....	<input type="checkbox"/> \$ .....	<input type="checkbox"/> \$ .....
.....	<input type="checkbox"/> \$ .....	<input type="checkbox"/> \$ .....
.....	<input type="checkbox"/> \$ .....	<input type="checkbox"/> \$ .....
Column Totals .....	<input type="checkbox"/> \$ .....	<input type="checkbox"/> \$ .....
Total Payments Listed (column totals added) .....	<input type="checkbox"/> \$1,798,000	

**D. FEDERAL SIGNATURE**

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type) <i>Cardinal Capital Net, Inc</i>	Signature 	Date <i>4/8/2004</i>
Name of Signer (Print or Type) <i>Christopher A. Sweeney</i>	Title of Signer (Print or Type) <i>President</i>	

**ATTENTION**

Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

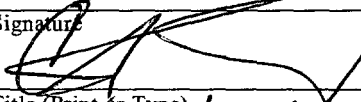
E. STATE SIGNATURE

1. Is any party described in 17 CFR 230.262 presently subject to any of the disqualification provisions of such rule? Yes ☐ No ☒

See Appendix, Column 5, for state response.

2. The undersigned issuer hereby undertakes to furnish to any state administrator of any state in which this notice is filed a notice on Form D (17 CFR 239.500) at such times as required by state law.
3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to offerees.
4. The undersigned issuer represents that the issuer is familiar with the conditions that must be satisfied to be entitled to the Uniform limited Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

Issuer (Print or Type) <i>Cardinal Capital Net, Inc.</i>	Signature 	Date <i>4/08/2004</i>
Name (Print or Type) <i>Christopher A. Sweeney</i>	Title (Print or Type) <i>President</i>	

*Instruction:*

Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

**APPENDIX**

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)		Type of security and aggregate offering price offered in state (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
AL									
AK									
AZ									
AR									
CA									
CO									
CT									
DE									
DC									
FL		X		20	100,000	0	0		
GA									
HI									
ID									
IL									
IN									
IA									
KS									
KY									
LA									
ME									
MD									
MA									
MI									
MN									
MS									

**APPENDIX**

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)		Type of security and aggregate offering price offered in state (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
MO									
MT									
NE									
NV									
NH									
NJ									
NM									
NY									
NC									
ND									
OH									
OK									
OR									
PA									
RI									
SC									
SD									
TN									
TX									
UT									
VT									
VA									
WA									
WV									
WI									



**APPENDIX**

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)		Type of security and aggregate offering price offered in state (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
WY									
PR									

**March 31, 2004**

**CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM**

**CARDINAL CAPITAL . NET, INC.**

**(A Florida Corporation)**

**FOR ACCREDITED INVESTORS ONLY**

**\$2,000,000 Convertible Subordinated Debenture 1 year Note**

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### **EXHIBITS:**

- A. ARTICLES OF INCORPORATION CARDINAL CAPITAL . NET, INC.\*
- B. BYLAWS OF CARDINAL CAPITAL . NET, INC.\*
- C. ARTICLES OF INCORPORATION CARDINAL CAPITAL MANAGEMENT, INC.\*
- D. BY LAWS OF CARDINAL CAPITAL MANAGEMENT, INC.\*
- E. FORM ADV \*
- F. FORM BD\*
- G. FINANCIAL STATEMENTS
- H. PROSPECTIVE PURCHASER QUESTIONNAIRE
- I. SUBSCRIPTION AGREEMENT AND INVESTMENT REPRESENTATION
- J. BUSINESS PLAN AND PROFORMA FINANCIALS
- K. AWC

Items noted \* are available upon request

Page 1

## SUMMARY OF THE OFFERING

**This summary of certain provisions of the Memorandum is intended only for quick reference and is not intended to be complete. The Memorandum describes in detail numerous aspects of the transaction which are material to investors, including those summarized below, and this Memorandum and the accompanying schedules, exhibits, and supporting documents must be read in their entirety by prospective investors. The following summary is, therefore, qualified in its entirety by reference to the full text of the Memorandum.**

**The Company,** Cardinal Capital.Net, Inc. (the "Company") is a Florida corporation formed on June 11, 1999 for the primary purpose of being the holding company for Cardinal Capital Management, Inc.(Cardinal) or (CCM). Cardinal is a registered investment advisor registered with the State of Florida, a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and a member of the National Association of Securities Dealers. Inc. The Company's principal executive offices are located at 601 Brickell Key Drive Miami, Fl. 33131, Telephone (305) 373 4700.

**Use of Proceeds.** All of the net proceeds of the offering will be used to provide the Company and or Cardinal Capital Management, Inc. (CCM) its wholly owned subsidiary, with working capital and to reduce debt and for other corporate matters as deemed appropriate by the Company's Board of Directors.

**Business.** The business of the Company is primarily holding as its key asset all of the issued and outstanding capital stock of CCM. The Company may enter into other business transactions as directed by the Company's Board of Directors. See "Business."

**Certain Risk Factors.** The Notes are speculative and involve a high degree of risk. See "Risk Factors." the Company's wholly owned subsidiary was formed on March 14, 1989.

**No Trading Market and Restricted Transferability.** The Notes which will be sold pursuant hereto have not been registered under the Securities Act of 1933 as amended nor under the securities act of any state and are being sold in reliance on one or more exemptions from registration requirements of such acts. The Notes will be sold to persons who purchase the Notes for investment only and not for resale, distribution or transfer. The Notes may not be sold, transferred, pledged or otherwise distributed without registration under such Acts unless they are qualified for an exemption from such registration. There is currently no trading market for the Notes, and it is not anticipated that such a market will develop in the foreseeable future. Accordingly, purchasers of the Notes should be prepared to hold their investment in such Notes until maturity and should be able to provide for their financial and personal needs without any need to liquidate their investment. See "Risk Factors."

## CERTAIN RISK FACTORS

The purchase of the Notes involves a substantial degree of risk and is suitable only for persons of adequate means who have no need for liquidity in this investment. This Memorandum contains forward-looking statements that involve risks and uncertainties. Further, this memorandum may not provide information on every aspect of the Company's business operations. Actual results could differ materially from those discussed in the forward-looking statements as a result of certain factors, including those set forth below and elsewhere in this Memorandum. The following factors should be considered carefully in addition to the other information contained in this Memorandum before purchasing the Notes offered hereby.

The Company's primary business is the ownership of Cardinal Capital Management, Inc. (CCM). The Company reserves the right to enter into other business arrangements directly as authorized by the Company's Board of Directors.

**Absence of Earnings.** While CCM was profitable every year from 1991 through 1998 CCM has reported losses every year since the "Bear Market" began in 1999.

**Consequences of Default.** In connection with the exchange offer in which the Company acquired control of Cardinal (the "Exchange Offer"), the Company issued an aggregate of \$480,313 of the Company's 8% Convertible Senior Debentures due May 1, 2003 (the "Convertible Debentures"). A principal balance of \$215,526.40 and accrued interest of \$40,247.34 remains. The Company is presently in default on the Convertible Debentures and the holders thereof have waived certain rights they have in anticipation that by the issuance of the Notes pursuant to this memorandum the existing Convertible Debentures as well as all other debt will be redeemed or converted into debt pursuant to the terms of this offering.

**Determination of Offering Price.** The offering price of the Notes has been arbitrarily determined by the Company and does not reflect a valuation by any recognized valuation method of the Notes. Accordingly, the offering price does not necessarily reflect the market price at which the Notes or the shares into which the Notes could be converted could be sold.

**No Firm Underwriting of this Offering.** This offering is being made without the benefit of a firm underwriting. Sales to the public, if any, will be solicited on a "best efforts" basis by certain directors, executive officers or registered representatives of the Company. Accordingly, there can be no assurance that any of the Notes offered hereby will be sold. See "Terms of the Offering."

**Non-Diversification.** The Company may place all of its significant assets at risk in the operations of Cardinal.

**Exemptions from Registration.** The Notes are being offered to investors under the private offering exemptions from registration under the securities laws of the United States and various states. If the Company should fail to comply with the requirements of the exemptions, the subscribers for these Notes may have the right to rescind their purchase of Notes if they so desire. Since compliance with the exemption rules is highly technical, it is possible that if a subscriber should seek rescission, he would succeed. If a number of subscribers were to successfully seek rescission, the Company would face severe financial demands which could adversely affect the Company and the non-rescinding subscribers.

**No Assurance of Public Offering or Liquidity of Investment.** There is no assurance that an initial public offering of the Company's securities will be consummated. Accordingly, a market for the Company Common Stock may never develop, and investors in this offering should be prepared to bear the economic risk of their investment for an indefinite period.

**Dependence on Key Personnel.** The Company's and Cardinal's success depends to a significant extent upon the performance of their executive officers, principally Hershel F. Smith, Jr. and Christopher A. Sweeney the loss of any of these executives could have a materially adverse effect on the Company and Cardinal's business operations. The Company and Cardinal have entered into employment agreements with the aforementioned executive officers and believe that both the Company and Cardinal's future success will depend upon their ability to retain such personnel. There can be no assurance that the Company and Cardinal will be successful in doing so. The Company does not maintain any "key person" life insurance policies on any of its executives for the benefit of the Company.

**Significant Competition.** The Company's primary business will be the operation of Cardinal. All aspects of Cardinal's business are highly competitive. Cardinal competes directly with national and regional full service broker-dealers and, to a lesser extent, with discount brokers, dealers, investment banking firms, investment advisors and certain commercial banks and, indirectly for investment assets, with insurance companies and others. The financial services industry has become considerably more concentrated as numerous securities firms have either ceased operations or have been acquired by or merged into other firms. Such mergers and acquisitions have increased competition from these firms, many of which have significantly greater equity capital, financial and other resources than Cardinal. With respect to retail brokerage activities, certain of the regional firms with which Cardinal competes have operated in certain markets longer than has Cardinal and have established longstanding client relationships. In addition, Cardinal expects competition from domestic and international commercial banks to increase as a result of recent and anticipated legislative and regulatory initiatives in the United States to remove or relieve certain restrictions on commercial banks relating to the sale of securities. Finally, Cardinal competes with others in the financial services industry with respect to the recruiting of new employees and the retention of current employees. See "Dependence on Key Personnel."

**Volatile Nature of the Securities Business.** The securities business is, by its nature, subject to significant risks, particularly in volatile or illiquid markets, including the risk of trading losses, losses resulting from the ownership or underwriting of securities, counter party failure to meet commitments, customer fraud, employee fraud, issuer fraud, errors and misconduct, failures in connection with the processing of securities transactions and litigation.

CCM's principal business activity, retail broker-dealer operations, as well as its investment banking, investment advisory, and other services, are highly competitive and subject to various risks. volatile trading markets and fluctuations in the volume of market activity. The securities business is directly affected by many factors, including economic and political conditions, broad trends in business and finance, legislation and regulation affecting the national and international business communities, currency values, inflation, market conditions, the availability and cost of short-term or long-term funding and capital, the credit capacity or perceived credit worthiness of the securities industry in the marketplace and the level and volatility of interest rates. These and other factors can contribute to lower price levels for securities and illiquid markets.

Lower price levels of securities may result in (i) reduced volumes of securities and options transactions, with a consequent reduction in commission revenues, (ii) losses from declines in the market value of securities held in trading, investment and underwriting positions and (iii) reduced management fees calculated as a percentage of assets managed. In periods of low volume, levels of profitability are further adversely affected because certain expenses remain relatively fixed. Sudden sharp declines in market values of securities and the failure of issuers and counter parties to perform their obligations can result in illiquid markets which, in turn, may result in Cardinal having difficulty selling securities, hedging its securities positions and investing funds under its management. Such negative market conditions, if prolonged, may also lower Cardinal's revenues from investment banking and other activities.

As a result of the varied risks associated with the securities business which are beyond Cardinal's control, Cardinal's commission and other revenues could be adversely affected. A reduction in revenues or a loss resulting from the underwriting or ownership of securities could have a material adverse effect on Cardinal's results of operations and financial condition. In addition, as a result of such risks, Cardinal's revenues and operating results may be subject to significant fluctuations from quarter to quarter and from year to year.

**Risks Associated with Implementation of the Company's Strategies, Risks Associated with Acquisitions and Joint Ventures.** The Company's strategies include potential further penetration of existing markets, entry into new markets and, particularly in the capital market area, expansion of the services it provides. There can be no assurance that the Company will be able to successfully identify service or market opportunities that are complementary to CCM's operations. If the Company successfully identifies any such opportunities, there can be no assurance that the Company's lack of significant experience with respect to a new service or market will not hinder the Company's ability to successfully capitalize on such opportunities. In addition, there can be no assurance that any such opportunity will enhance the Company's business, results of operations or financial condition.

To the extent the Company seeks to implement such strategies through strategic acquisitions, there can be no assurance that the Company will be able to successfully identify, acquire on favorable terms or integrate any acquisitions. If an acquisition is completed, there can be no assurance that such acquisition will enhance the Company's business, results of operations or financial condition. The Company may face competition for acquisition opportunities, which may inhibit the Company's ability to consummate attractive acquisitions on terms favorable to the Company. The Company may require additional debt or equity financing for future acquisitions, which financing may not be available on terms favorable to the Company, if at all. Finally, when acquiring a predominantly personal service business such as a securities brokerage firm, a need to provide financial or other incentives to the professionals and other employees of such firm could make any such acquisition difficult to consummate successfully.

To the extent the Company seeks to implement such strategies through strategic joint ventures, many of the risks associated with acquisitions could be present. In addition, joint ventures may involve additional risks associated with lack of control.

**Risks Associated with Federal and State Regulation.** Cardinal's business is subject to extensive regulation in the United States, at both the federal and state level. As a matter of public policy, regulatory bodies are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets and not with protecting the interest of the Company's shareholders. In addition, self-regulatory organizations and other regulatory bodies in the United States, such as the Securities and Exchange Commission (the "SEC") and the National Association of Securities Dealers, Inc. (the "NASD"), require strict compliance with their rules and regulations. Failure to comply with any of these laws, rules or regulations, some of which are subject to interpretation, could result in a variety of adverse consequences including civil penalties, fines, suspension or expulsion, which could have a material adverse effect upon Cardinal.

The laws and regulations, as well as governmental policies and accounting principles, governing the financial services and banking industries have changed significantly over recent years and are expected to continue to do so. During the last several years Congress has considered numerous proposals that would significantly alter the structure and regulation of such industries. The Company cannot predict which changes in laws or regulations, or in governmental policies and accounting principles, will be adopted, but such changes, if adopted, could materially and adversely affect the business and operations of the Company.

CCM and its officers and directors have, in recent years, been cited with various deficiencies and violations of NASD rules and regulations. CCM, its C.O.O. and FINOP entered into an Agreement Waiver and Consent with the NASD and were fined for failures arising out of an NASD audit in 2001. (See AWC attached as Exhibit There have been additional audits since and it is anticipated that violations of rules have occurred and that there will be sanctions and possibly another AWC.



**Net Capital Requirements; Holding Company Structure.** The SEC, and various other securities exchanges and other regulatory bodies in the United States, have rules with respect to net capital requirements, which affect Cardinal. These rules have the effect of requiring that at least a substantial portion of a broker-dealer's assets be kept in cash or highly liquid investments. Compliance with the net capital requirements by Cardinal could limit operations that require intensive use of capital, such as underwriting or trading activities. These rules could also restrict the ability of the Company to withdraw capital from Cardinal, even in circumstances where Cardinal has more than the minimum amount of required capital, which, in turn, could limit the ability of the Company to pay dividends, implement its strategies, pay interest on and repay the principal of its debt and redeem or repurchase shares of outstanding capital stock. In addition, a change in such rules, or the imposition of new rules, affecting the scope, coverage, calculation or amount of such net capital requirements, or a significant operating loss or any unusually large charge against net capital, could have similar adverse effects. CCM has had a history of failing to maintain minimum net capital and is therefore being closely scrutinized by the NASD district 7 office. While NASD rules require that CCM file financial reports known as "focus reports" only quarterly the NASD requires CCM to submit net capital reports every Friday.

**Litigation.** Many aspects of the securities brokerage business involve substantial risks of liability. In recent years, there has been an increasing incidence of litigation involving the securities brokerage industry, including class action suits that generally seek substantial damages and other suits seeking punitive damages. Underwriters are subject to substantial potential liability for misstatements and omissions in prospectuses and other communications with respect to underwritten offering of securities. Like other securities brokerage firms, Cardinal has been named as a defendant in suits.

**Dependence on systems.** Cardinal's business is highly dependent on communications and information systems. Any failure or interruption of Cardinal's systems could cause delays in Cardinal's securities trading activities and an inability to execute client transactions, which could have a material adverse effect on Cardinal's operating results. There can be no assurance that Cardinal will not suffer any such systems failure or interruption, whether caused by an earthquake, fire, other natural disaster, power of telecommunications failure, act of God, act of war or otherwise, or that Cardinal's back-up procedures and capabilities in the event of any such failure or interruption will be adequate.

**Forward-Looking Statements.** This Memorandum contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements may be deemed to include Cardinal's plans to expand the range of services it offers, increase the number of its investor and company clients, increase its principal investment activities and increase the number of its personnel. Actual results could differ from those projected in any forward-looking statements for the reasons detailed in the other sections of this "Risk Factors" portion of, and elsewhere in, this Memorandum.

**No Trading Market for Notes and Restricted Transferability.** The Notes will be sold to persons who purchase the Notes for investment only and not for resale, distribution or transfer. The Notes have not been registered under the Securities Act, or under the securities acts of any state and are being offered and sold in reliance on one or more exemptions from the registration requirements of such acts. The Notes may not be sold, transferred, pledged or otherwise distributed without registration under such acts or in the event they are qualified for an exemption from such registration. There is currently no public trading market for the Notes. In addition, the Notes may not be accepted as collateral for loans, or if accepted, their value may be substantially discounted. As a result, investors should purchase the Notes as a long-term investment and should be prepared to bear the economic risk of their investment for an indefinite period. Investors who may need or wish to dispose of all or a part of their investment in the Notes may not be able to do so except by private, direct negotiations with third parties.

**Return on Investment.** There is no assurance that an investor in the Company will realize a return on his investment or that he will not lose his entire investment in the Company. For this reason, each prospective subscriber should read the documents provided or offered for review by the Company and all exhibits carefully and should consult with his own attorney, accountant and/or business adviser prior to making any investment decision.

## **TERMS OF THE OFFERING**

### **The Offering.**

The Company is offering Notes for sale to a limited number of qualified investors at a price of \$1,000 per Note payable in cash upon execution of the Subscription Agreement. The Company may also accept marketable securities in lieu of cash at its sole discretion. Holders of existing debt instruments of the company may convert to this instrument on a dollar for dollar basis. The minimum subscription is one unit or 100 Notes. The Company, at its sole discretion may accept subscriptions for fractions of a unit. The Notes will be offered and sold on a "best efforts" basis by certain directors, executive officers or registered representatives of the Company and its subsidiary CCM, commissions may be paid on such sales. The Company has currently not employed any professional underwriters, brokers or sales persons in connection with this offering, however it may elect to do so in the future

During the course of this offering and prior to the closing of the sale of Notes, each offeree of Notes is invited to ask questions of and obtain additional information from the Company concerning the terms and conditions of this offering, the proposed business of the Company and any other relevant matters (including, but not limited to, additional information to verify the accuracy of the information set forth herein), to the extent the Company possesses such information or can acquire it without unreasonable effort or expense. Offerees, or their representatives, having questions or desiring additional information should contact Hershel F. Smith, Jr. at (305) 373-4700. The Company will advise each subscriber in writing prior to the acceptance of his subscription of any additional information provided to any subscriber and will afford each subscriber an opportunity to receive the same information.

The offeree, by accepting delivery of this Memorandum, agrees to return this Memorandum and all enclosed documents to the Company if the offeree's subscription is not accepted.

Subscribers will be promptly notified by the Company when their subscriptions have been accepted or rejected. If a subscriber's subscription is accepted, the Company will execute a copy of the Subscription Agreement submitted by such person, and return it with a notification of acceptance. If a subscriber's subscription is not accepted with respect to all or any of the Notes subscribed for, his payment for the unaccepted subscription will be returned as soon as practicable.

**Subscription Period and Procedures.** The offering will expire on April 30, 2004, unless extended by the Company in its sole discretion (the "Expiration Date"). The Company may permit an extension of the Expiration Date without any requirement that this Memorandum be supplemented to reflect such extension. In addition, this offering may be terminated by the Company at any time without notice to subscribers.

**Method of Subscription.** Each person who wishes to subscribe to purchase Notes should complete and execute the Subscription Agreement and Investment Representation in the form attached as Attachments A and B and deliver it, together with a check payable (or transfer funds via a fed wire) to Cardinal Capital.Net, Inc., on or prior to the Expiration Date, April 30.

Cardinal Capital.Net, Inc.  
601 Brickell Key Dr.  
Suite 102  
Miami, Florida 33131

Attention: Hershel F. Smith, Jr.

Subscriptions are subject to acceptance by the Company and may be rejected by the Company in its sole discretion.

## **SUITABILITY STANDARDS**

Investment in the Notes involves a high degree of risk and is suitable only for persons of substantial financial means who have no need for the liquidity of this investment. A public market for the Notes may not develop. The Offering is intended to be made as a private placement offering, exempt from registration under the Securities Act, pursuant to Section 4(2) of the Securities Act and Regulation D and other applicable rules promulgated thereunder. The Notes will be sold to persons who purchase the Notes for investment only and not for resale, distribution or transfer. The Notes have not been registered under the Securities Act, or under the securities acts of any state and are being offered and sold in reliance on one or more exemptions for the registration requirements of such acts. The Notes may not be sold, transferred, pledged or otherwise distributed without registration under such acts unless they are qualified for an exemption from such registration.

The Company is offering the Notes to persons who are "Accredited Investors" as defined below. The Company will require each investor to provide certain written information concerning the investor's income, net worth and the experience in financial and business matters of the investor in order to be better able to determine who may be eligible to purchase Notes.

"Accredited Investor" means persons who (a) have a personal net worth or joint net worth with a spouse (inclusive of home(s), home furnishing and automobiles) in excess of \$1,000,000, or (b) have an annual income in excess of \$200,000 in each of the two most recent years and who reasonable expects an income in excess of \$200,000 in the current year, or (c) any entity in which all of the equity investors are Accredited Investors.

Certain prospective investors may also be required to meet any suitability standards imposed by the other states or jurisdictions in which the Notes are offered and sold. Such jurisdictions may impose standards stricter than those set forth above.

## **BUSINESS**

**General.** The Company was formed on June 11, 1999 for the primary purpose of acquiring and operating CCM. The Company may engage in other operations other than holding as its primary asset all of the issued and outstanding capital stock of CCM. For information regarding CCM, including its management, reference is made to CCM Form ADV Uniform Application for Investment Adviser Registration; CCM Form BD; Uniform Application for Broker-Dealer Registration; the Financial Statements and the Business Plan Summary all the aforementioned documents are included herewith.

**Mission Statement.** In a world made increasingly more impersonal through computer technology mass marketing and recorded voices, the Company is committed to personal service for each of its clients. The Company takes a "High Tech, High Touch" approach to the business of providing investment products and services to public and institutional investor clients. The Company's Business Plan is available upon request.

The Company is a relationship driven, not product driven company. Meeting each client at the point of the client's needs with services and products that the client demands. The Company provides courteous and knowledgeable professionals to serve the client in the manner each client prefers.

The range of services Cardinal may offer is from the "all on-line" internet account, trading and research provision demanded by the fiercely self sufficient "High Tech" client to full management and financial analysis for those clients preferring the "High Touch" approach; however, each client has an investment professional with whom to consult and never has to deal with voice mail or listen to a menu of recorded messages.

**Industry Overview.** The securities industry generates approximately \$270 billion in annual revenue, of which the independent securities dealers segment Generates approximately \$50 billion annually. Historically the independent dealers segment has been fragmented and served by numerous firms usually operating in only one metropolitan area and generating less then \$10 million in annual revenue. However, as the industry has undergone continued consolidation, the "Top 100" companies have each grown larger while the number of independent firms has declined from over 10,000 in the late 1980s to approximately 5,000 presently.

Increasingly, the small independent firm with a limited range of services and a paucity of products has found itself at a severe competitive disadvantage vis a vis the local branch office of a major firm.

The size of a firm, measured in terms of number of brokers, number of clients and total dollars of client assets under control, has always had a major influence on the revenue generating capacity of a firm. Transaction commissions have never been sufficient to carry a brokerage firm. The two revenue pillars "which have supported pure securities brokerages, without investment advisories, have always been investment banking fees and net margin interest. This fact is only becoming more evident as the entire industry has become more competitive in terms of transaction charges. Thus, a firm must generate investment banking fees and must achieve sufficient "size" to attain critical mass necessary to do initial public offerings.

The Company intends to achieve operating efficiencies by reducing clearing costs based on higher volume clearing contracts, reduction of redundant corporate overhead positions, implementing advanced technology and operating systems and providing company wide training, to increase sales of higher profit products and services.

The key elements of the Company's acquisition strategy are as follows:

***Target Major Metropolitan Areas.*** The Company plans to expand through selected acquisitions into additional major metropolitan areas throughout the country and in South America. Target acquisitions will be high quality firms with \$3-10 million In annual revenue where ownership/management is open to the advantages afforded by combining with a public entity with resources, products and services that the small firm cannot develop on its own. The Company has acquired selected assets of three Broker/Dealers in 2001, R.K. Grace & Company and First Equity Corp of Florida. In 2002 the acquired selected assets of Emerson Bennett another small full service broker/dealer.

***Retain Management and Image.*** The Company intends to acquire, on an accretive basis, successful independent broker/dealers or the assets thereof, where effective local management exists and wishes to remain in place that will be retained. Where the name of the local Company is of value to the retention of clients, the name of the local firm may also be retained.

***The Internet.*** Communications are undergoing dramatic changes. As the Internet becomes increasingly more popular, and more widely accepted as a means of transacting business, companies will be forced to embrace this channel of business or lose market share to others that do.

As new pricing paradigms have driven traditional discount brokerage clients to the Internet, full service firms are ever more fearful of losing market share. The Company's vision is to create a customer centric model that embraces technology and the Internet with the added value of personal interaction and service. The Company's customers will be provided with all services being offered by the best of the on-line brokerage firms with the addition of a unique blend of full-service products and services that are currently unavailable or unattainable by the masses. Such services, as initial public offerings, financial planning, estate planning and professional money management are only a few of the added value products the Company's clients will receive.

Initial public offerings are being done over the Internet with the front page of the prospectus being displayed on the Company's website. If a client or prospective client is interested, then, one can complete an on line suitability questionnaire and e-mail the completed questionnaire to the Company. Assuming the client meets the suitability requirements, the Company will either e-mail the prospectus or send a hard copy to the interested party. Having received and reviewed the prospectus, one then indicates an interest in a specific number of shares right on the website.

The Internet has, indeed, changed the industry in a fundamental way. Any firm which does not embrace the "Web" will face extinction. The firm which gets out in front with a state of the art website to include all of the above will have a tremendous advantage. The Company's website is complete.

All of the Company's professional personnel will continue their "high touch" client relationships and use all account data for marketing suggestions to both "high tech" and "high touch" clients.

The Company believes that a decentralized management strategy, coupled with operating efficiencies, will enable it to compete effectively in its target market. The Company believes that many customers utilize financial services based on an established long term business relationship with the firm and the registered representative. The Company plans to empower its experienced local management to establish policies that foster these long term relationships while providing superior products and services.

**Sales and Marketing.** It is believed that the ability to maintain and grow the client and revenue base will depend, in part, on the ability to maintain a high level of customer satisfaction. That satisfaction is, in great measure, dependent upon the investment professionals who serve the clients and local management who supervise the activities of the professional staff. A decentralized management structure is believed to be the best approach to assure responsive and responsible client service.

The Company will make available the whole universe of investment products and services including, stocks, bonds, municipal securities, mutual funds, unit investment trusts, initial public offerings, private placements, insurance products and annuities. Services will include "on line" account access and trading, and-mutual fund portfolio management. Individual portfolios may be managed by Cardinal's investment advisory service.

The company has negotiated a joint marketing agreement with Automated Enrollment Systems, Inc. (AES) to market the services of AES and to place all business of AES' clients which requires licensure through an NASD member firm. AES' services consist of communicating benefit plans to employees of an employer, employer groups, professional associations and affinity groups. AES clients include: employer groups such as the Trump Casinos, and the Baltimore School System, professional associations such as the 312,000 members of the Independent Physicians of America, and affinity groups such as the 170,000 members of Women's League for Conservative Judaism. We view this agreement as a major new source of revenue and a unique opportunity for CCM.

The corporate finance department will handle initial public offerings, private placements and merger and or acquisition activities. Private placements will be suitable for qualified and institutional investors only.

If the Company is successful in attracting additional capital, the Company will have a municipal securities underwriting staff and municipal securities trading desk. Additionally, the Company hopes to make markets in selected equity securities.

**Investment Advisory.** The Company's in house advisory service has an enviable, twelve year, track record of managing equity and fixed income accounts. This fee based service is the core of the Company's revenue. This service will be a major focus of future marketing efforts. Additionally, the Company will market its wrap fee product.

**Operations.** The Company intends to centralize certain operational functions. Upon acquisition, of a group of brokers, back office operations will be integrated into the existing operations infrastructure, Integration will occur in a time sensitive manner in order to not disrupt the sales activities of the acquired firm. Over time, clearing operations will be consolidated into the firm's clearing broker dealer. At this time the company is considering changing its clearing relationship.

**Competition.** The Company operates in a highly competitive environment. The Company's principal competitors are sizable. There are ten companies, which have annual revenue in excess of \$5 billion: Merrill Lynch & Co., Inc., Morgan Stanley Dean Witter, Salomon Brothers Smith Barney Holdings, Inc., Lehman Brothers, Goldman Sachs, Bear Stearns, UBS PaineWebber, Donaldson Lufkin & Jenrette, Credit Suisse First Boston and BT Alex Brown.

In the Company's target markets, it is believed that customers are concerned not only with the overall reduction of their transaction costs but also place a high emphasis on dependability, superior service, strong end user relationships and performance. The Company believes that it can compete favorably with the ten largest companies on the basis of service, price, experience and performance. Additionally, the Company has the advantage of flexible decentralized management and a full complement of products and services.



## MANAGEMENT

All management decisions, with respect to the Company, will be made exclusively by the directors and officers of the Company, who are as follows:

Name	Age	Title
Hershel F. Smith, Jr.	71	Chairman/CEO & Secretary *
Christopher A. Sweeney	57	President and C.O.O. *
Arnold I. Roseman	55	Director of Compliance
Philip Remek	37	Director of Portfolio Management
Michael Blank	30	Compliance Asst./Trading Supv.
Grissel Carbonell	37	Financial Operations Principal

Note: Only those marked \* are directors of either the Company or CCM.

### **Hershel F. Smith, Jr., - Chairman of the Board and Chief Executive Officer**

Mr. Smith is the Chairman and Chief Executive Officer of both the Company and Cardinal Capital Management, Inc. Mr. Smith's responsibilities include the Chairmanship of the investment policy committee. Mr. Smith has served as CEO of Cardinal Capital since its inception in 1989. Prior to joining Cardinal Capital Management his 35 plus year career in the financial services industry has included esteemed positions at North Carolina National Bank's securities division, Southeast Bank's Brokerage Services, Fidelity Brokerage Services and as a Senior Officer with Commission Discount Corporation, First Equity Corporation of Florida and Johnson Lane Space. Mr. Smith is a member of the Board of Directors of Catholic Charities for the Archdiocese of Miami and is Chairman of the Board of Villa Maria Foundation, a Catholic health Services, nursing home and rehabilitation hospital. Mr. Smith is active internationally with the Sovereign Military Order of Malta. He holds the following licenses: Series 7 (General Securities Agent) Series 24 (General Securities Principal) Series 4 (Registered Options Principal). He attended the University of Georgia.

**Christopher A. Sweeney, - President and Senior Managing Director**

Mr. Sweeney is a Senior Managing Director of Cardinal Capital Management, Inc. and serves on its investment policy committee. Mr. Sweeney has served as Chief Operating Officer of Cardinal Capital Management, Inc. since 1997. He has served in various capacities with Cardinal since 1994. Mr. Sweeney's 28 year career in the financial services industry began at Merrill Lynch in 1976. His industry experience includes portfolio management, futures trading, mutual funds and annuities marketing and corporate finance. Mr. Sweeney is an active member of the Republican party and served as a member of the Executive Board of the Republican Party of Miami-Dade County. He was a candidate for the School Board of Miami-Dade County and was a two term president of Independent Voices for Better Education. He was also Treasurer of St. John's Episcopal Church for six years. Mr. Sweeney has a Bachelor of Science degree from Cornell University and attended Brooklyn Law School. He holds the following licenses: Series 7, Series 24, Series 53 (Municipal Securities Principal).

**Arnold I. Roseman,-Director of Compliance.**

Mr. Roseman has nearly 30 years of industry experience in both the financial and accounting specialties of the business as well as the regulatory side of the business. Mr. Roseman graduated from Franklin Pierce College and began his career as an examiner with the NASD. He has held positions with several brokerages either as chief financial officer or compliance director. He holds the Series 7, 24 and 27 licenses.

**Phillip Remek,-Director of Portfolio Management**

Mr. Remek is an MBA from Florida International University and did his undergraduate work at the University of Miami. He is a candidate for the third and highest level of competency as a chartered financial analyst, a member of the Association for Investment Management Research, the Miami Society of Financial Analysts and the Global Association of Risk Professionals. He holds the Series 4, 7, 24 and 55 (Equities Trader) licenses. His primary responsibility is to monitor the portfolios for Investment Advisory clients and to provide research and advice to his fellow members of the Investment Policy Committee.

**Michael Blank,-**

Mike holds most of the licenses required to run a brokerage. He holds a Series 3 (Commodities Futures Trading), 4, 7, 24, 27, 53, 55, 65 (Registered Investment Advisor). Mike supervises all trading activity for the firm and assists the compliance director. Mike graduated St. Louis University in May of '97 and received his MBA Magna Cum Laude from Webster University in St. Louis in June of 2002.

**Grissel Carbonell,-**

Grisell has been with the company almost from its inception. She holds a Series 27 Financial Operations Principal's license and is the company's FINOP which is the equivalent of the operating chief financial officer.

The above individuals hold the same positions with CCM as they do with the Company.

## **EXECUTIVE COMPENSATION**

**Executive Employment Agreements.** The Company has entered into employment agreements with Messrs. Smith and Sweeney. Compensation under each of these agreements is related Directly to commissions generated by these officers, in addition to commissions generated, there is a provision for a base salary in each of their employment agreements. Each of these agreements has a term of five years and provides that the Company may terminate the agreements only in the event of cause. These agreements also provide for severance pay in an amount equal to two times the annual compensation paid to the employee in the prior year, payable over a twelve-month period, in the event the employee is terminated with cause prior to the end of the five-year term.

**1999 Incentive Stock Option Plan.** The Company has adopted the Cardinal Capital.Net, Inc., 1999 Incentive Compensation and Stock Option Plan, under which the Board of Directors or a Compensation Committee thereof may issue incentive stock options, non-qualified stock options, stock bonuses, stock awards, restricted stock and restricted stock units in lieu of cash or other stock-based awards, to acquire an aggregate of 1,000,000 shares of Common Stock.

These have been issued to officers, directors and employees of the Company and its subsidiaries. The Company will only grant stock options with an exercise price at least equal to the fair market value of the Common Stock on the date of grant. Until such time as none of the Company's convertible debentures remain outstanding, the Company has agreed not to issue any stock options with an exercise price lower than the then prevailing conversion price of the Company's outstanding convertible debentures. All of these options have been issued.

## **DIVIDEND POLICY**

The Company has never declared or paid dividends on its capital stock, and does not anticipate paying any cash dividends in the foreseeable future. In addition, the Company is prohibited from paying dividends on its Common Stock while any Convertible Debentures remain outstanding. Payments of future dividends, if any, will be at the discretion of the Company's Board of Directors after taking into account various factors, include the Company's financial condition, operating results current and anticipated cash needs, and plans for expansion.

## CERTAIN TRANSACTIONS

When the Company was formed on June 11, 1999, its two founders, Hershel F. Smith, Jr. and Christopher A. Sweeney, each purchased 120,000 shares of the Company's Common Stock at a purchase price of \$.01 per share. Five other employees of the Company, also purchased an aggregate of 35,500 shares at a purchase price of \$.01 per share.

On July 16<sup>th</sup>, 1999 the company borrowed \$105,000 from five individuals known collectively as Trescot et al, pursuant to a callable note. Said note is personally guaranteed by Hershel F. Smith and Christopher A. Sweeney. The terms of said note permitted the lenders to purchase 10,500 shares of common at \$0.01 per share. Additionally, the lenders were issued 21,000 warrants to purchase additional shares at \$1.60 per share. The lenders may exercise their warrants at \$1.60 per share and convert their notes into common shares at \$1.00 per share of face value of their notes at any time until the notes are paid.

On January 19, 2000 Messrs. Smith and Sweeney each purchased an additional 480,000 shares of the Company's Common Stock at a purchase price of \$.01 per share.

On May 8, 2000, in connection with the Exchange Offer in which the Company acquired control of Cardinal, the Company issued 655,000 shares of the Company's Common Stock and an aggregate of \$480,313 principal amount of the Company's 8% Convertible Senior Debentures due May 11, 2003. As of the date of this memorandum, principal owing on this note has been reduced to \$215,526 and accrued interest equals \$40,247.34.

On May 10<sup>th</sup> 2000, the Company issued 40,000 warrants to purchase shares of the company's Common Stock at a price of \$1.60 per share to its bank, Gibraltar Bank FSB for its assistance in connection with the closing of the Company's acquisition of Cardinal Capital Management, Inc.. These warrants have expired unexercised.

On June 29, 2000, the Company completed a private placement, 150,000 shares of the company's Common Stock at a purchase price of \$1.00 per share.

On September 5<sup>th</sup> 2000, the Company issued 24,000 shares of the company's Common Stock to certain clients representing continuing business that was of significant value to the Company.

On September 12<sup>th</sup> 2000, the Company issued 57,500 shares on the basis of \$0.01 per share to three consultants.

On September 12<sup>th</sup> 2000, the Company issued 4,000 shares of the Company's Common Stock to Anthony Hussain and 5,000 shares to Philip Remek on the basis of \$0.01 for meritorious services.

Pursuant to an offering memorandum dated September 30, 2000, the Company sold 188,500 shares of common stock at a price of \$2.00 per share.

On March 12<sup>th</sup>, 2001 the company issued a convertible capital note to Barbara Bant in the amount of \$30,000 and on May 3<sup>rd</sup>, the company issued a convertible capital note in the amount of \$100,000. These notes bear interest at 8% and are collateralized by 15,000 shares and 50,000 shares of the Company's common stock respectively. The notes are convertible into the total of 65,000 shares presently representing the collateral.

On January 17<sup>th</sup> 2001, pursuant to notes dated 1/17/00: Hershel Smith surrendered 50,574 shares and Christopher Sweeney surrendered 34,639 shares of the Company's common stock to pay said notes due to the Company in full, including interest. The Company resold these shares pursuant to the above mentioned Private Placement at a price of \$2.00 per share.

On January 27<sup>th</sup> 2001 the Company purchased substantially all the assets of R.K. Grace & Company, a full service broker dealer in consideration of 22,323 shares of the company's Series A Preferred Stock which was to be convertible only after the existing debentures were paid off in full. The Series A Preferred was convertible thereafter into 2,232,300 shares of Common Stock.

On May 3, 2001 the company borrowed \$100,000 from National Bicycling Foundation pursuant to a Promissory Note collateralized by 50,000 shares of the common stock of the company and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney.

On May 16<sup>th</sup>, 2001 the Company purchased selected assets of First Equity Corporation (FEC), a full service broker dealer, in Miami, Florida. The consideration to be paid for these assets was dependent upon how many dollars worth of client assets remained in the accounts transferred from FEC at the end of six months. Originally, there were \$110 Million in client assets in FEC accounts and the purchase price was \$3 of of Series B preferred for each \$100 of client assets. However, at the time of the mass transfer of client accounts from FEC's clearing member to Cardinal Capital Management's clearing member there remained only \$16 Million of client assets in said accounts. Thereafter most of those assets transferred out. Litigation over the value of the assets and consideration to be paid ensued. The matter is now closed and no shares or other consideration were issued to the former owners of First Equity.

On August 22, 2001 and through February 5<sup>th</sup> of 2002 131,000 shares of CCNET were sold pursuant to a private placement memorandum to accredited investors at a price of \$4 per share.

On September 28<sup>th</sup> 2001 the Company borrowed \$100,000 from Marcia Neafsey pursuant to a note and collateralized by shares of the Company's common stock. The note has since been paid in full.

On November 13, 2001 the company purchased selected assets of Emerson Bennett, Inc. (EBI), a full service brokerage located in Palm Beach county Florida and White Plains, N.Y. The consideration paid was 8,000 shares of Series B preferred which was issued pursuant to employment agreements with the principals of EBI which provided for reduction in the number of shares if either or both of the principals could not serve as Series 24 personnel. Subsequently the Series 24 licenses of these individuals were suspended and the number of shares issued to them was reduced accordingly a contractual formula which resulted in them receiving only 24% of the original contract amount. The principals have since converted their preferred shares to common shares and have sold all their stock to third parties.

On December 31, 2001 the Company issued 50,000 shares each to Hershel F. Smith Jr. and Christopher A. Sweeney in consideration of them each guaranteeing a loan in the amount of \$100,000 to the Company from Gibraltar Bank and pledging their homes as additional collateral.

On March 7, 2002 the Company borrowed \$100,000 from Carmen and Isabel Nodarse pursuant to a note collateralized by shares of company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney.

On March 22, 2002 Hershel F. Smith, Jr. and Christopher A. Sweeney personally guaranteed an additional loan to the Company in the amount of \$100,000 to be contributed as capital to its wholly owned subsidiary.

On March 22, 2002 it became evident that only Hershel F. Smith, Jr. and Christopher A. Sweeney would personally guarantee any of the Company's obligations and that no other officer, director or significant shareholder would participate in such guarantees. It was therefore decided that: only the above named individuals would remain on the board of directors, any shares needed as collateral for notes or to be sold to raise capital would be debited against the holdings of those principals.

On April 16<sup>th</sup> 2002 the Company renewed the \$130,000 loan from Barbara Bant pursuant to a note collateralized by shares of the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney.

On May 3<sup>rd</sup> 2002 the Company renewed its \$100,000 note to National Bicycling Foundation.

On September 1, 2002 the Company borrowed \$82,000 from the Harold Sonnenberg Trust pursuant to a promissory note collateralized by the Company's common shares and guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney. An additional \$25,000 was borrowed from the Sonnenberg Trust on the same terms and conditions and \$7,000 of this principal is considered paid when CCM bought furniture for the beneficiaries of the trust in the amount of \$7,000.

On September 7, 2002 agents acting on behalf of the Company and its principal shareholders commenced selling shares of the Company's common stock held by principals Hershel F. Smith, Jr., Christopher A. Sweeney, John Kaweske and Brentley C. Martin. The number of shares pursuant to this program is 3,676,701 shares. The selling price was \$1 per share. The shares came initially from common shares owned by Hershel F. Smith, Jr. and Christopher A. Sweeney. Later the source became the converted preferred shares of John Kaweske and Brentley C. Martin. Sweeney and Smith together contributed 1,372,401 shares. All of Kaweske's 2,232,300 common shares from the conversion of his 22,323 preferred shares were sold and all of Mr. Martins remaining 72,000 shares were sold. Substantially all of the proceeds of these sales either remained in the Company's accounts to sustain the losses incurred by CCM or were paid out in commissions to the agents.

On September 28<sup>th</sup> 2002 the Company renewed its \$100,000 note to Barbara Bant.

On October 8, 2002 John Kaweske's preferred shares (held in the name of his wife Rebecca Kaweske) were returned to Treasury in settlement of attorneys fees incurred by the company owing to the activities of R. K. Grace and other considerations.

On October 30<sup>th</sup> 2002 the Company borrowed an additional \$50,000 from National Bicycling Foundaton pursuant to a promissory note collateralized by shares of the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney.

On November 20<sup>th</sup> 2002 the Company borrowed \$75,000 from Stewart W. Pearl pursuant to a note collateralized by the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney. This note has been paid in full.

On December 18<sup>th</sup> 2002 the Company borrowed \$50,000 from Stewart W. Pearl pursuant to a note collateralized by the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney. This note has been paid in full.

On January 22, 2003 the Company borrowed \$50,000 from Hershel F. Smith, Jr. pursuant to a promissory note collateralized by the Company's common stock and personally guaranteed by Christopher A. Sweeney. This note has been repaid.

On January 24, 2003 the Company borrowed \$50,000 each from two of the Munz family trusts pusuant to promissory notes collateralized by the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney.

On January 30<sup>th</sup> 2003 the Company borrowed \$150,000 from Robert Vance pursuant to a promissory note collateralized by the Company's common stock and 300,000 shares of Xstream Beverage Group, Inc. common which the company borrowed from Joseph J. Azzata and Christopher Sweeney and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney. This note was converted to common stock.

On February 28<sup>th</sup> 2003 the Company borrowed \$50,000 from Alvin Douglas pursuant to a promissory note collateralized by the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney.

On March 31<sup>st</sup> 2003, the Company borrowed \$82,000 and subsequently \$25,000 from the Harold Sonnenberg Trust pursuant to a promissory note collateralized by the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney. Seven thousand dollars of principal amount of this note was repaid when the Company furnished the apartment of the Trust's beneficiaries at its expense.

On April 21<sup>st</sup> the Company entered into an agreement whereby CCNET would sell its wholly owned subsidiary CCM to Sky Capital of Florida, Inc., a wholly owned subsidiary of Sky Capital Holdings LLC, a company whose shares trade on the London Stock Exchange in exchange for 1,000,000 shares of SKY having a market value of \$5,000,000 and 1,000,000 shares of Sky Capital Ventures having an offered value of \$1,500,000. The contract was to close five business days after regulatory approval. Approval of the change of control came from NASD District 7 on December 23<sup>rd</sup> 2003. SKY is technically in breach of the agreement and the board of Directors is, at this writing, considering its options with respect to SKY.

On July 21<sup>st</sup> 2003, the Company borrowed \$50,000 from Jean Collins pursuant to a promissory note collateralized by the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney.

On September 15<sup>th</sup> 2003 the Company borrowed \$25,000 from Nadine Fichter pursuant to a promissory note and collateralized by shares of the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney.

On November 5<sup>th</sup> 2003 the Company borrowed from Lenore Ferguson \$75,000 pursuant to a promissory note collateralized by shares of the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney. On January 6, 2004 the Company borrowed another \$75,000 from Lenore Ferguson on the same basis. On January 30<sup>th</sup> 2004 the Company paid down these loans by the amount of \$88,000.

On January 14<sup>th</sup> 2004 the Company borrowed \$150,000 from Jay Palda pursuant to a promissory note collateralized by shares of the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney.

On January 27<sup>th</sup> 2004 the Company borrowed \$100,000 from Arris Contracting, Inc. pursuant to a promissory note collateralized by shares of the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney.



On January 27<sup>th</sup> 2004 the Company borrowed \$100,000 from Paul Lohbeck pursuant to a promissory note collateralized by shares of the Company's common stock and personally guaranteed by Hershel F. Smith, Jr. and Christopher A. Sweeney. On February 29<sup>th</sup> 2004 the company borrowed an additional \$75,000 from Mr. Lohbeck on the same terms and conditions.

## **DESCRIPTION OF CAPITAL STOCK**

Set forth below is a summary of all material terms and provisions of the Company's capital stock, which is qualified in its entirety by reference to the Company's Articles of Incorporation, a copy of which is available upon request and is incorporated herein by reference.

Under the Company's Articles of Incorporation, the authorized but unissued and unreserved shares of the Company's capital stock will be available for issuance for general corporate purposes, including, but not limited to, possible stock dividends, future mergers or acquisitions, or private or public offerings. Except as may otherwise be required, shareholder approval will not be required for the issuance of those shares.

The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock, \$.01 par value, of which 6,375,302 Shares are presently issued and outstanding, and 10,000,000 Shares of preferred stock, \$.01 par value. There are no preferred shares outstanding at this time. As of December 31 2003 there were 249 holders of Common Stock.

### **Common Stock**

**Dividends.** The holders of the Common Stock are entitled to dividends and other distributions if, as, and when declared by the Board of Directors out of assets legally available therefore. Upon the liquidation, dissolution or winding up of the Company, the holder of each share of Common Stock will be entitled to share equally in the distribution of the Company's assets. The holders of Common Stock are not entitled to the benefit of any sinking fund provision. The Notes of Common Stock of the Company are not subject to any redemption provisions, nor are they convertible into any other security, or property of the Company.

**Voting Rights.** The holders of Common Stock are entitled to elect the members of the Board of Directors of the Company and such holders are entitled to vote as a class on all matters required or permitted to be submitted to the shareholders of the Company.

### **Preferred Stock**

The Company's Articles of Incorporation authorize the issuance, in series, of up to 10,000,000 Shares of preferred stock and permits the Company's Board of Directors to establish the rights and preference of each of such series and to increase the number of Shares in any of the series. There were two series of preferred stock defined: Series A and Series B. Of the Series A, there were 22,323 shares issued and 8,000 shares of Series B were issued. However, there are no shares of either series presently outstanding.

## **Convertible Debentures**

In connection with the Exchange Offer whereby the Company acquired Cardinal, the Company issued \$480,313 aggregate amount of the Company's 8% convertible debentures due May 1, 2003 (the "Convertible Debentures"). See "Certain Transactions."

***Principal, Interest and Payments Thereof.*** The Convertible Debentures were due May 1, 2003 and bear interest at the rate of eight percent per year. On the eleventh day of each month, the Company made a payments of \$16,287 to the holders thereof. Said amount paid monthly would have retired the debentures by May of 2003. Payments were made until March of 2002 reducing principal owed by 264,785.67. In addition, the principal of the Convertible Debentures is subject to a conversion right by the investor. If the full amount of this offering is raised, it is the company's intent to pay off these debentures.

***Prepayment.*** The outstanding principal of the Convertible Debentures could have been prepaid at any time, in whole or in part, at the discretion of the Company upon fifteen business days prior notice to the holders. Any prepayment must be made pro rata among all Convertible Debentures. However, a prepayment of a Convertible Debenture cannot be made after the investor holding that Convertible Debenture has given the Company notice of exercise of the investor's conversion right.

***Non-Assignability.*** Neither the Convertible Debenture nor the right to receive any payment thereunder may be assigned without the consent of the Company.

***Conversion Right.*** The outstanding principal amount of the Convertible Debenture may be converted, in whole or in part, into Notes of the Common Stock of the Company, at a conversion price of \$1.325 per share. The conversion right may be exercised by notice to the Company using the form accompanying the Convertible Debenture. The effective date of any such conversion will be the time of the Company's receipt of that notice. Exercise of the conversion right is irrevocable.

***Unsecured Obligation.*** The Convertible Debenture is unsecured.

***Sinking Fund.*** Until all amounts due and owing under the Convertible Debentures are paid in full, the Company shall, on the 11th day of each month, deposit into a separate and segregated non-interest bearing account with Gibraltar Bank, FSB, designated for the sole benefit of the holders of Convertible Debentures and to be utilized by the Company solely and exclusively for payment of the obligations under the Convertible Debentures (the "Sinking Fund"), 15% of all gross revenues, net of reasonable and customary clearing expenses, derived in the preceding month. If an event of default under the Convertible Debentures occurs, then all funds deposited or to be deposited into the Sinking Fund shall be immediately paid to the holders of Convertible Debentures on a pro-rata basis.

***Subordination.*** Until all amounts due and owing under the Convertible Debentures are paid in full, all indebtedness of the Company (other than indebtedness to trade creditors incurred in the ordinary course of business) shall be junior and subordinate to the debts and obligations of the Company arising under the Convertible Debentures, except with the written consent of the holders of a majority principal amount of the outstanding Convertible Debentures.

***Registration Rights.*** If at any time the Company proposes the registration under the Securities Act of 1933, as amended, of an offering of any of its capital stock, the holders of the Convertible Debentures have the opportunity to have their Notes of Common Stock received upon conversion of the Convertible Debentures included in the registered offering.

***Additional Indebtedness.*** The company and its principals have acknowledged a debt to Nationwide Insurance in the amount of \$170,000 and to Tom Blake formerly corporate counsel in the amount of \$76,000. Additionally the company owes its attorneys in excess of \$200,000.

## **AVAILABLE INFORMATION**

Statements made in this Memorandum as to the contents of any document or agreement are not necessarily complete, and each such statement is qualified in all respects by reference to the appropriate document or agreement. Such statements, however, contain a brief summary of the material portions of such documents or agreements.

The Company will make every effort to furnish any prospective investor with any additional information it desires which is not set forth herein and will provide an opportunity for inquiry concerning the terms and conditions of this offering, including information requested to verify the accuracy of the information contained in this Memorandum, and an opportunity to meet in person with, ask questions of and receive answers from members of the management of the Company.

Except as otherwise indicated, this Memorandum speaks as of the date appearing on the cover page hereof, and neither the delivery hereof nor the purchase of the Notes shall create an implication that the affairs of the Company have continued without change since said date.

Copies of all documents described or referred to herein are available at the offices of the Company, 601 Brickell Key Dr., Miami, Florida 33131.

**EXHIBIT G**

**FINANCIAL AUDITED STATEMENT 2003 FOR**

**CARDINAL CAPITAL MANAGEMENT, INC.**

**CARDINAL CAPITAL . NET, INC.'s ONLY SIGNIFICANT ASSET**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8- 41272

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Cardinal Capital Management, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

601 Brickell Key Drive, Suite #102

(No. and Street)

Miami

(City)

FL

(State)

33131

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Hershel F. Smith

305-373-4700

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Dennis S. Benimoff

(Name - if individual, state last, first, middle name)

351 South Cypress Road #210

(Address)

Pompano Beach

(City)

FL

(State)

33060

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

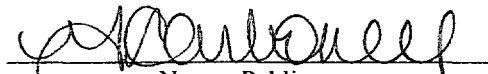
I, Hershel F. Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cardinal Capital Management, Inc., as of December 31, 20 03, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

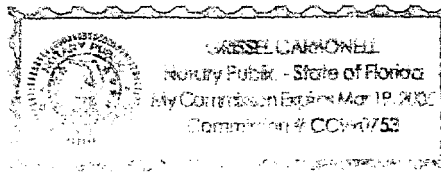
\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

  
Signature  
Chairman/CEO  
Title

  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditors Report on Internal Accounting Control

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CARDINAL CAPITAL MANAGEMENT, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003

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DENNIS S. BENIMOFF  
CERTIFIED PUBLIC ACCOUNTANT  
351 S. CYPRESS ROAD, SUITE 210  
POMPAN0 BEACH, FL 33060  
(954) 942-1120

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cardinal Capital Management, Inc.  
Miami, Florida

I have audited the accompanying statement of financial condition of Cardinal Capital Management, Inc.(the Company) as of December 31,2003, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cardinal Capital Management, Inc. at December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

  
DENNIS S. BENIMOFF, CPA

Pompano Beach, Florida  
February 23, 2004



CARDINAL CAPITAL MANAGEMENT, INC.  
BALANCE SHEET  
DECEMBER 31, 2003

ASSETS

Cash	\$ 27,454
Deposit from clearing broker	100,019
Certificates of Deposit	217,995
Receivable from clearing broker	32,265
Miscellaneous receivables	3,000
Securities at market value	1,812
Due from affiliate	50,827
Prepaid expenses	37,832
Property and equipment(net of accumulated depreciation of \$225,133)	<u>112,356</u>
 TOTAL ASSETS	 <u><u>\$ 583,560</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Accounts payable, accrued expenses, and other liabilities	\$ 232,586
Commissions payable	<u>36,188</u>
 TOTAL LIABILITIES	 <u>268,774</u>

CONTINGENCIES (NOTE 9)

STOCKHOLDERS' EQUITY:

Common stock - \$1.00 par value, 1,000 shares authorized, 135 shares issued and outstanding	135
Additional paid-in capital	4,122,814
Accumulated deficit	<u>(3,808,163)</u>
 TOTAL STOCKHOLDERS' EQUITY	 <u>314,786</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u><u>\$ 583,560</u></u>

See accompanying notes and independent auditor's report

CARDINAL CAPITAL MANAGEMENT, INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2003

REVENUES:

Commissions	\$ 1,977,352
Financial Advisory Fees	103,425
Investment Banking	77,350
Interest	28,165
Trading Loss	(6,894)
Other revenue	244,318
	<u>2,423,716</u>

EXPENSES:

Employee compensation and benefits	1,702,614
Clearing charges	252,466
Customer Unsecured Debits Expense	272,042
Professional Fees	188,505
Communications and data processing	197,377
Travel & entertainment	77,819
Rent	240,801
Insurance	74,960
Regulatory fees and expenses	57,234
Mediation Expense	29,139
Depreciation	35,519
Other operating expenses	157,885
	<u>3,286,361</u>

NET LOSS	<u><u>\$ (862,645)</u></u>
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See accompanying notes and independent auditor's report

CARDINAL CAPITAL MANAGEMENT, INC.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2003

	COMMON STOCK		ADDITIONAL PAID-IN		ACCUMULATED	
	SHARES	AMOUNT	CAPITAL		DEFICIT	
Balance-January 1, 2003	135	\$ 135	\$ 3,555,899	\$	(2,945,518)	
Additional Capitalization			566,915			
Net Income (Loss) January 1, 2003 to December 31, 2003					(862,645)	
Balance-December 31, 2003	135	\$ 135	\$ 4,122,814	\$	(3,808,163)	

See accompanying notes and independent auditor's report

CARDINAL CAPITAL MANAGEMENT, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (862,645)
Adjustments to reconcile net income to net cash provided (used) by operations:	
Depreciation	35,519
Decrease in deposit from clearing broker	35,603
Decrease in Restricted Cash	97,448
Increase in Certificates of Deposit	(3,462)
Decrease in receivable from broker	145,007
Increase in miscellaneous receivables	19,417
Decrease in securities at market value	68,608
Increase in due from affiliate	(36,335)
Decrease in due from officers	65,964
Decrease in prepaid expenses	1,073
Decrease in accounts payable, accrued expenses and other liabilities	(130,042)
Decrease in commissions payable	<u>(54,905)</u>
Net cash used in operating activities	<u>(618,750)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Decrease in security deposit	<u>56,408</u>
Net cash flows from investing activities	<u>56,408</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Capital contributions	<u>566,915</u>
Net cash flows from financing activities	<u>566,915</u>

Net decrease in cash	4,573
CASH AT JANUARY 1, 2003	<u>22,881</u>
CASH AT DECEMBER 31, 2003	<u><u>\$ 27,454</u></u>

See accompanying notes and independent auditor's report

CARDINAL CAPITAL MANAGEMENT, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2003

SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid during the year for:

Interest

\$ -

See accompanying notes and independent auditor's report

CARDINAL CAPITAL MANAGEMENT, INC.  
STATEMENT OF CHANGES IN LIABILITIES  
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS  
FOR THE YEAR ENDED DECEMBER 31, 2003

There are no changes in liabilities subordinated to claims of general creditors since there was no subordinated debt at any time during the period.

See accompanying notes and independent auditor's report

CARDINAL CAPITAL MANAGEMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003

NOTE 1 – BUSINESS AND ORGANIZATION

The Company is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended, and is a member of the National Association of the Securities Dealers, Inc. The Company is a wholly owned subsidiary of Cardinal Capital Net., Inc (CCN).

The Company acts as an introducing broker through a clearing arrangement with a clearing broker-dealer on a fully disclosed basis. This broker-dealer provides clearing services, handles funds of the Company's customers, holds securities, and remits customer account activity statements to the Company's customers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RECOGNITION OF COMMISSION INCOME

Securities transactions are recorded for financial statement purposes on a trade-date basis with related commission income and expenses recorded on a trade-date basis.

INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable when the asset and liabilities are recovered or settled.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Maintenance, repairs and minor improvements are charged to expense in the year incurred. Depreciation is computed by the modified accelerated cost recovery system. Assets are depreciated at the statutory rate provided.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days, that are not held for sale in the ordinary course of business.

CARDINAL CAPITAL MANAGEMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003

NOTE 3 – NET CAPITAL REQUIREMENT

The Company is subject to the Securities & Exchange Commission's uniform Net Capital Rule (Rule 15c3-1) which requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed fifteen to one. Net capital and the related net capital ratio fluctuate on a daily basis; however, as of December 31, 2003, the ratio of aggregate indebtedness to net capital was 2.39 : 1 and net capital was \$ 112,446, which exceeded the minimum net capital requirement by \$ 62,446.

On January 13, 2003, the Company notified the Securities and Exchange Commission and the NASD Regulation, Inc. of its net capital deficiency at December 31, 2002. The net capital deficiency was subsequently cured and the Company was in compliance with regulatory net capital as of January 31, 2003. The Company achieved compliance with net capital requirements through infusions from the Parent consisting of \$320,000 of cash.

The Company is in the process of notifying the Securities and Exchange Commission and the NASD Regulation, Inc., of a net capital deficiency that existed at December 30, 2003. The net capital deficiency was subsequently cured, and the Company was in compliance with regulatory net capital as of December 31, 2003. The Company achieved compliance with net capital requirements through capital infusions from the Parent consisting of \$75,000 of cash.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2003, consisted of the following:

Furniture & fixtures	\$ 92,592
Office equipment	225,869
Leasehold improvements	19,028
	<u>337,489</u>
Less accumulated depreciation	(225,133)
	<u>\$112,356</u>
	=====

Depreciation expense for 2003 was \$ 35,519.

NOTE 5- INCOME TAXES

A deferred tax asset in the amount of \$1,489,000 has been recorded to recognize the benefits of tax loss carryforwards at December 31, 2003. The deferred tax asset is offset by a valuation allowance in the same amount, because the Company believes it is more likely than not that future tax benefits will not be realized. Realization of the deferred tax asset is dependent on generating sufficient taxable income in the future. The amount of the deferred tax asset considered realizable could change in the near term if estimates of future taxable income are increased. The Company has net operating loss carryforwards of approximately \$ 3,958,000 for income tax purposes, which expire in the years 2018 through 2023.

The tax provisions (benefits) differ from amounts that would be calculated by applying federal statutory rates to income (loss) before income taxes because the Company is subject to state income taxes.



CARDINAL CAPITAL MANAGEMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003

NOTE 6 – LEASE COMMITMENTS

The Company is committed under operating leases for office space and a photocopier machine.

Total rent expense for 2003 was \$240,801.

The Company's minimum annual lease payments under non-cancelable operating leases are as follows, as of December 31, 2003:

<u>YEAR ENDING</u>	<u>AMOUNT</u>
December 31, 2004	\$ 89,901
December 31, 2005	<u>2,475</u>
Total minimum future lease payments	<u>\$ 92,376</u>

NOTE 7- RELATED PARTY TRANSACTIONS

Under a rent-sharing agreement between the Company and CCN effective on May 1, 2003, the Company and CCN agreed to share rent expense in 2003 for its Miami office. Per the agreement, CCN paid five months of rent expense totaling \$24,947, and the Company paid three months of rent expense totaling \$16,237. The Company has a balance due from CCN in the amount of \$ 50,827 at December 31, 2003. The Company files a consolidated income tax return with CCN. The officers of the Company are also the officers of CCN and have a direct ownership interest in CCN.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the credit-worthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

CARDINAL CAPITAL MANAGEMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003

NOTE 9- CONTINGENCIES

The Company is involved in the litigation, arbitration, and regulatory actions discussed below.

(Case A) Two plaintiffs together filed a lawsuit against the Company for breach of contract and seek punitive damages regarding their purchase and sale of shares in one corporation. The Company intends to file a motion to dismiss the lawsuit and compel arbitration instead.

(Case B) Two plaintiffs together filed a lawsuit seeking damages of approximately \$26,000 for alleged losses in their brokerage account. The Company filed a motion to dismiss the lawsuit and compel arbitration instead.

(Case C) Two plaintiffs together seek \$500,000 in damages for claims of conversion, breach of duty, unjust enrichment, constructive trust, and equitable trust. A court granted the Company's motion for summary judgment and thereby dismissed the plaintiffs' claims. The Company also filed a motion to recover its fees and costs, on which motion the court has not yet ruled. The plaintiffs then filed a motion to reconsider. If approved by the court, the latter motion would cause the plaintiffs' lawsuit to continue to trial.

(Case D) A former employee of another firm, the assets of which the Company's parent acquired, filed with the NASD an arbitration claim against the Company. The plaintiff seeks recovery of his allegedly unpaid commissions -- totaling over \$50,000 -- and damages for the Company's allegedly interfering with his client relationships.

(Case E) A former employee has instituted an arbitration claim against the Company, seeking damages of \$180,000 and punitive damages of \$500,000. The former employee alleges that the Company's termination notice to her was defamatory and that the Company failed to offer her health-insurance continuation as required by COBRA.

The Company is vigorously defending its position in Cases A through E, discussed above. In addition, the Company has in force a Securities Broker/Dealer Professional Liability Insurance policy that provides coverage -- up to a certain limit per case and per policy-year -- for the Company's share of damages in such cases, after the Company pays a \$50,000 deductible per case.

(Case F) The Company has received notice of the NASD's intention to obtain from the Company a Letter of Acceptance, Waiver, and Consent in response to the 2003 NASD examination of the Company and its principals. The Company is negotiating with the NASD regarding potential violations and potential sanctions.

After discussing Cases A - F with its legal counsel, management of the Company believes that it is not possible to estimate the amount or range of any loss that the Company might incur from Cases A - F. As a result, the accompanying financial statements reflect no accrual for any losses that the Company might incur from Cases A - F.

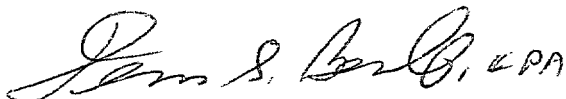
SUPPLEMENTARY  
INFORMATION

DENNIS S. BENIMOFF  
CERTIFIED PUBLIC ACCOUNTANT  
351 S. CYPRESS ROAD, SUITE 210  
FT. LAUDERDALE, FL 33309  
(954) 942-1120

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION REQUIRED  
BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION

Board of Directors  
Cardinal Capital Management, Inc.  
Miami, Florida

I have audited the accompanying financial statements of Cardinal Capital Management, Inc. as of and for the year ended December 31, 2003, and have issued my report thereon dated February 23, 2004. My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules presented on pages 13, 14, 15, 16 and 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DENNIS S. BENIMOFF, CPA

Pompano Beach, Florida  
February 23, 2004

CARDINAL CAPITAL MANAGEMENT, INC.  
SUPPLEMENTARY INFORMATION PURSUANT TO SEC RULE 17a-5  
DECEMBER 31, 2003

COMPUTATION OF NET CAPITAL

Total stockholders' equity		\$ 314,786
Deductions and/or charges:		
Non-allowable assets:		
Due from affiliate	\$ 50,827	
Prepaid expenses	37,832	
Property and equipment	112,356	
Penalty on Early Withdrawal of Certificates of Deposit	1,053	
Total deductions and/or charges	<u>\$ 202,068</u>	<u>(202,068)</u>
Net capital before haircuts on securities positions		112,718
Haircuts on securities (computed where applicable, pursuant to rule 15c3-1(f))		
Trading and investments securities – stocks, warrants, and bonds	\$ 272	
Undue concentrations	-	
Total haircuts on securities	<u>\$ 272</u>	<u>(272)</u>
NET CAPITAL		<u>\$ 112,446</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Net capital required (greater of a or b)	<u>\$ 50,000</u>
a. Minimum net capital required (6-2/3% of aggregate indebtedness)	<u>\$ 17,918</u>
b. Minimum dollar amount of net capital required	<u>\$ 50,000</u>
Excess net capital	<u>\$ 62,446</u>

CARDINAL CAPITAL MANAGEMENT, INC.  
SUPPLEMENTARY INFORMATION PURSUANT TO SEC RULE 17a-5  
DECEMBER 31, 2003

COMPUTATION OF AGGREGATE INDEBTEDNESS

Items included in statement of financial condition

Accounts payable, accrued expenses and other liabilities	\$ 232,586
Commissions payable	<u>36,188</u>

Total aggregate indebtedness	<u><u>\$ 268,774</u></u>
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Ratio of aggregate indebtedness to net capital	<u><u>2.39</u></u>
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CARDINAL CAPITAL MANAGEMENT, INC.  
SUPPLEMENTARY INFORMATION PURSUANT TO SEC RULE 17a-5  
DECEMBER 31, 2003

RECONCILIATION OF THE COMPUTATION OF NET CAPITAL

The adjustments to the FOCUS Report, Part IIA, Form X – 17A5 (Allowable and Nonallowable Assets), as filed for the period ended December 31, 2003, are as follows:

	<u>Unaudited</u>	<u>Adjustments</u>	<u>Audited</u>
Allowable Assets	\$381,492	\$ -	\$381,492
No adjustments		-	
	<u>381,492</u>	<u>-</u>	<u>381,492</u>
 Nonallowable assets	 201,015	 -	 202,068
Increase by penalty on early withdrawal of CDs		1,053	
Increase in due from affiliate		50,827	
Decrease in miscellaneous receivables		(50,827)	
Total Assets	<u>201,015</u>	<u>1,053</u>	<u>202,068</u>
	<u>\$582,507</u>	<u>\$ 1,053</u>	<u>\$583,560</u>

CARDINAL CAPITAL MANAGEMENT, INC.  
SUPPLEMENTARY INFORMATION PURSUANT TO SEC RULE 17a-5  
DECEMBER 31, 2003

RECONCILIATION OF THE COMPUTATION OF NET CAPITAL

The adjustments to the FOCUS Report, Part IIA, Form X-17A-5 (Aggregate indebtedness, other liabilities and stockholders' equity) as filed for the period ended December 31, 2003 are as follows:

	Unaudited	Adjustments	Audited
Aggregate indebtedness	\$ 272,099	\$ -	\$ 268,774
Decrease in accruals and payables		(3,325)	
	272,099	(3,325)	268,774
Stockholders Equity	310,408	-	314,786
Increase in nonallowable assets		1,053	
The effect of above adjustments on net income		3,325	
	310,408	4,378	314,786
Total	\$ 582,507	\$ 1,053	\$ 583,560



EXEMPTIVE PROVISIONS UNDER RULE 15c3-3

With respect to the Computation for Determination of Reserve Requirements and Information relating to the Possession or Control Requirements under Rule 15c3-3, Cardinal Capital Management, Inc. qualified for exemption under subparagraph (k) (2) (ii) of the Rule.

DENNIS S. BENIMOFF  
CERTIFIED PUBLIC ACCOUNTANT  
351 SOUTH CYPRESS ROAD, SUITE 210  
POMPANO BEACH, FL 33060  
(954) 942-1120

INDEPENDENT AUDITOR'S SUPPLEMENTARY REPORT ON  
INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

Board of Directors  
Cardinal Capital Management, Inc.  
Miami, Florida

In planning and performing my audit of the financial statements and supplemental schedules of Cardinal Capital Management, Inc. (the Company) for the year ended December 31, 2003, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives.

Board of Directors  
(Continued)

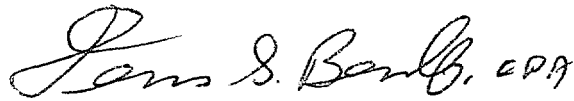
Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving internal control, including control activities for safeguarding securities, that I consider to be material weaknesses as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

  
DENNIS S. BENIMOFF, CPA

Pompano Beach, Florida  
February 23, 2004

**EXHIBIT H**

**PROSPECTIVE PURCHASER QUESTIONNAIRE**

## ACCREDITED INVESTOR QUESTIONNAIRE

To: Cardinal Capital.net, Inc.  
601 Brickell Key Dr. Suite 102  
Miami, FL 33131

Gentlemen:

*The undersigned understands that it is contemplated that Notes will be offered (the "Offering") by Cardinal Capital.net, Inc. (the "Company"), which Notes will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). The undersigned also understands that in order to assure that the Offering will be exempt from registration under the Securities Act, you must have reasonable grounds to believe, prior to making a sale, that each prospective investor is an "accredited investor" (as defined in Regulation D under the Securities Act).*

The undersigned makes the following representations for the purposes of determining whether the undersigned falls within the definition of an "accredited investor":

INSTRUCTIONS: Please check any of the appropriate blocks for any statement that applies to you:

☐ The undersigned is any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000, and the undersigned has no reason to believe that such net worth will decrease.

☐ The undersigned is any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

☐ The undersigned is any director, executive officer or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer.

☐ The undersigned is any bank as defined in Section 3(a)(2) of the Securities Act or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; any broker dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

- ☐ The undersigned is any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- ☐ The undersigned is any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.
- ☐ The undersigned is any trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii).
- ☐ The undersigned is any entity in which all the equity owners are accredited investors.

**All of the foregoing answers, which I have provided to the questions above, are true, correct and complete to the best of my knowledge.**

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Investor

\_\_\_\_\_  
Please Print Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State and Zip Code

\_\_\_\_\_  
Social Security Number

**EXECUTION OF THIS DOCUMENT DOES NOT INDICATE ANY INTENT  
TO PURCHASE THE NOTES OFFERED IN THE PRIVATE PLACEMENT MEMORANDUM**

**Page 27**

## **EXHIBIT I**

### **SUBSCRIPTION AGREEMENT AND INVESTMENT REPRESENTATION**

## NOTE PURCHASE AGREEMENT

**NOTE PURCHASE AGREEMENT** (this "Agreement"), dated as of \_\_\_\_\_, 2004, by and between Cardinal Capital.net, Inc., a Florida corporation (the "Corporation"), and \_\_\_\_\_ (the "Purchaser").

### W I T N E S S E T H :

**WHEREAS**, the Corporation desires to sell, transfer and assign to the Purchaser, and the Purchaser desires to purchase from the Corporation, \_\_\_\_\_ Notes (the "Notes"), \$1,000 par value (the "Note"), at a price of \$1,000 (the "Purchase Price"); and

**WHEREAS**, the Company is entering into similar Notes Purchase Agreements with other purchasers who are purchasing Notes on the identical terms as set forth herein for an aggregate offering amount to all purchasers of a maximum of \$2,000,000, consisting of an aggregate of a maximum of 2,000 Notes and whose rights shall vest on a pari passu basis with the Purchasers herein;

**NOW, THEREFORE**, in consideration of the promises and the mutual covenants contained herein, the parties hereto, intending to be legally bound, hereby agree as follows:

### **SECTION I**

#### **PURCHASE, SALE AND REGISTRATION OF THE NOTES**

A. **Purchase and Sale.** Subject to the terms and conditions of this Agreement and on the basis of the representations, warranties, covenants and agreements herein contained, the Corporation hereby agrees to sell, transfer, assign and convey the Notes to the Purchaser, and the Purchaser agrees to purchase, acquire and accept the Notes from the Corporation.

B. **Purchase Price.** The aggregate purchase price for the Notes to be paid by the Purchaser to the Corporation is an aggregate of \$2,000,000 (the "Aggregate Purchase Price"). The Aggregate Purchase Price payment shall be paid in the form of cash, acceptable securities and or the surrender of any existing debt instrument previously issued to the Purchaser by the Corporation on the Closing Date (as defined below).

### **SECTION II**

#### **REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF THE CORPORATION**

The Corporation represents and warrants to, and covenants and agrees with, the Purchaser, as of the date hereof, that:

A. **Organization: Good Standing.** The Corporation is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and has full corporate power and authority to own its properties and to conduct the business in which it is now engaged.



B. Authority. The Corporation has the full corporate power, authority and legal right to execute and deliver this Agreement and to perform all of its obligations and covenants hereunder, and no consent or approval of any other person or governmental authority is required therefore. The execution and delivery of this Agreement by the Corporation, the performance by the Corporation of its obligations and covenants hereunder and the consummation by the Corporation of the transactions contemplated hereby have been duly authorized by all necessary corporate action. This Agreement constitutes a valid and legally binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms.

C. No Legal Bar; Conflicts. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, violates any provision of the Certificate of Incorporation, as amended, or By-Laws of the Corporation or any law, statute, ordinance, regulation, order, judgment or decree of any court or governmental agency, or conflicts with or results in any breach of any of the terms of or constitutes a default under or results in the termination of or the creation of any lien pursuant to the terms of any contract or agreement to which the Corporation is a party or by which the Corporation or any of its assets is bound.

D. Non-Assessable Notes. The Notes being issued hereunder have been duly authorized and, when issued to the Purchaser for the consideration herein provided, will be validly issued, fully paid and non-assessable.

### SECTION III REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF THE PURCHASER

The Purchaser represents and warrants to, and covenants and agrees with, the Corporation, as of the date hereof, that:

A. Organization (if applicable). The Purchaser is, and as of the Closing will be, duly organized, validly existing and in good standing under the laws of its jurisdiction of organization.

B. Authorization. The Purchaser has, and as of the Closing will have, all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary action on the part of the Purchaser. This Agreement has been duly executed and delivered by the Purchaser and constitutes its legal, valid and binding obligation, enforceable against the Purchaser in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws affecting the enforceability of creditors' rights in general or by general principles of equity.

C. No Legal Bar; Conflicts. Neither the execution and delivery of this Agreement, nor the consummation by the Purchaser of the transactions contemplated hereby, violates any law, statute, ordinance, regulation, order, judgment or decree of any court or governmental agency applicable to the Purchaser, or violates, or conflicts with, any contract, commitment, agreement, understanding or arrangement of any kind to which the Purchaser is a party or by which the Purchaser is bound.

D. No Litigation. No action, suit or proceeding against the Purchaser relating to the consummation of any of the transactions contemplated by this Agreement nor any governmental action against the Purchaser seeking to delay or enjoin any such transactions is pending or, to the Purchaser's knowledge, threatened.

E. Investment Intent. The Purchaser (i) is an accredited investor within the meaning of Rule 501(a) under the Securities Act, (ii) is aware of the limits on resale imposed by virtue of the nature of the transactions contemplated by this Agreement, specifically the restrictions imposed by Rule 144 of the Securities Act, and is aware that the certificates representing the Purchaser's respective ownership of Common Stock will bear related restrictive legends and (iii) except as otherwise set forth herein, is acquiring the Notes of the Corporation hereunder without registration under the Securities Act in reliance on the exemption from registration contained in Section 4(2) of the Securities Act and/or Rule 506 promulgated pursuant to Regulation D of the Securities Act, for investment for its own account, and not with a view toward, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling such Notes. The Purchaser represents that the Accredited Investor Questionnaire is true and complete in all respects. The Purchaser has been given the opportunity to ask questions of, and receive answers from, the officers of the Corporation regarding the Corporation, its current and proposed business operations and the Common Stock, and the officers of the Corporation have made available to the Purchaser all documents and information that the Purchaser has requested relating to an investment in the Corporation. The Purchaser has been represented by competent legal counsel in connection with its purchase of the Common Stock and acknowledges that the Corporation has relied upon the Purchaser's representations in this Section 3 in offering and selling Common Stock to the Purchaser.

F. Economic Risk; Restricted Securities. The Purchaser recognizes that the investment in the Notes involves a number of significant risks. The foregoing, however, does not limit or modify the representations, warranties and agreements of the Corporation in Section 2 of this Agreement or the right of the Purchaser to rely thereon. The Purchaser is able to bear the economic risks of an investment in the Notes for an indefinite period of time, has no need for liquidity in such investment and, at the present time, can afford a complete loss of such investment.

G. Access to Information. The Purchaser has received a copy of the Company's Private Placement Memorandum. The Purchaser represents that it has not received any information about the Company other than what has been disclosed in the document(s) set forth above.

H. Suitability. The Purchaser has carefully considered, and has, to the extent the Purchaser deems it necessary, discussed with the Purchaser's own professional legal, tax and financial advisers the suitability of an investment in the Common Stock for the Purchaser's particular tax and financial situation, and the Purchaser has determined that the Common Stock is a suitable investment.

I. Legend. The Purchaser acknowledges that the certificates evidencing the Notes will bear the following legend:

THE NOTES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW. THE NOTES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE PLEDGED, HYPOTHECATED, SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE NOTES UNDER SUCH ACT OR AN OPINION OF COUNSEL TO THE ISSUER THAT REGISTRATION IS NOT REQUIRED UNDER THE ACT.

**SECTION IV**  
**THE CLOSING AND CONDITIONS TO CLOSING**

A. Time and Place of the Closing. The closing shall be held at the offices Cardinal Capital Management, Inc., 601 Brickell Key Dr., Miami, Florida 33131, on \_\_\_\_\_, 2004 (the "Closing Date"), or such other time and place as the Corporation and the Purchaser may mutually agree.

B. Delivery by the Corporation. Delivery of the Notes shall be made by the Corporation to the Purchaser on the Closing Date by delivering a certificate representing the Notes with an executed stock power, each such certificate to be accompanied by any requisite documentary or transfer tax stamps.

D. Delivery by the Purchaser. On or before the Closing Date, the Purchaser shall deliver to the Corporation the entire Aggregate Purchase Price by check or by wire transfer to an account specified in writing to Purchaser by the Corporation.

E. Other Conditions to Closing. As of the Closing Date, all requisite action by the Corporation's Board of Directors and shareholders shall have been taken pursuant to the By-Laws of the Corporation.

**SECTION V**  
**MISCELLANEOUS**

A. Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the transactions contemplated hereby, and no modification hereof shall be effective unless in writing and signed by the party against which it is sought to be enforced.

B. Invalidity, Etc. If any provision of this Agreement, or the application of any such provision to any person or circumstance, shall be held invalid by a court of competent jurisdiction, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

C. Headings. The headings of this Agreement are for convenience of reference only and are not part of the substance of this Agreement.

D. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Page 31

E. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida applicable in the case of agreements made and to be performed entirely within such State.

F. Dispute Resolution. The parties to this Agreement individually and on behalf of the Corporation agree to arbitrate all disputes or differences hereunder or arising from their roles as shareholders, directors or officers thereof. Such submission to arbitration shall be a condition precedent to the bringing of any action, suit or proceeding by any such shareholder, director or officer, either individually or on behalf of the Corporation. All of such differences or disputes shall be settled and finally determined by arbitration in Dade County, Florida, according to the Rules of American Arbitration Association (the "AAA") now in force or hereafter adopted, by arbitrators selected by the AAA.

Page 31

G. Counterparts. This Agreement may be executed in one or more identical counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, this Note Purchase Agreement has been duly executed by the parties hereto as of the date first above written.

**CORPORATION**

**PURCHASER**

CARDINAL CAPITAL.NET, INC.

\_\_\_\_\_  
By: Hershel F. Smith, C.E.O.

\_\_\_\_\_  
Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

Page 32

## DELIVERY INSTRUCTIONS

**Make checks payable to:**

Cardinal Capital.net, Inc.

**Address:**

601 Brickell Key Dr. suite 102

Miami, FL 33131

(305) 373-4700

**Wire Instructions:**

Gibraltar Bank

Miami, FL 33131

ABA # 267090455

Account Name: CARDINAL CAPITAL.NET

Account #: 30054036

**EXHIBIT J**

**BUSINESS PLAN AND PROFORMA FINANCIALS**

**CARDINAL CAPITAL, MANAGEMENT, INC.**

**BUSINESS PLAN  
EXECUTIVE SUMMARY**

**February 8, 2004**

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## **Mission Statement:**

In a world made increasingly more impersonal through computer technology, mass marketing and recorded voices, Cardinal Capital Management (Cardinal) is committed to personal service for each of its clients. Cardinal takes a "High Tech: High Touch" approach to the business of providing investment products and services to individual and institutional clients.

Cardinal is a *relationship*-driven – not *product*-driven – company. Meeting each client's demands and needs with the most suitable and effective services and products is our constant goal. In the securities industry, this is ultimately achieved only by *knowing your client*. Cardinal's courteous and knowledgeable professionals are here not only to serve the client but also to get to know the client. As Cardinal becomes more informed of each client's situation, needs, risk tolerances and investment knowledge, only then can it be best able to serve the client appropriately.

Cardinal's range of services span from its Personal Look-Up System – or PLUS, an online internet account access, trading and research platform demanded by the self-sufficient "high tech" client all the way to complete management and financial analyses for those clients preferring the "high touch" approach. Regardless of where in the spectrum a client may lie, each client has an investment professional to consult with and never has to rely upon voice mail or listen to a menu of recorded messages.

## **Industry Overview:**

The major investment banks and wire houses are facing enormous financial liabilities arising out of abuses committed during the "Bull Market" of the 1990s which have been obviated during the recent prolonged "Bear Market". The Merrill Lynches and Goldman Sachs of the world are facing stiff fines from the NASD and SEC for fraudulent practices in the operation of their research and investment banking departments. After the enormous fines are paid these formerly venerated institutions face a tsunami of customer complaints, arbitrations and class actions which are using the precedents of the fines as a basis of complaint.

At the other end of the spectrum many of the small independent broker dealers and registered investment advisors have closed their doors. Firms that were doing between Two and Ten Million Dollars in revenue during the "Bull Market" saw unprecedented declines in revenue as the "Bear Market" completed a third consecutive year. Meeting required Net Capital to continue in operation has been the full time obsession of management of the smaller firms.

Now that a solid year of upwardly biased trading in equities separates us from the Bear Market it is time for those small firms which survived to refocus their efforts toward growth and increasing market share at the expense of the major firms. It's a great time



for new brokers and small broker dealers to be prospecting for customers because many clients of the major firms have had bad experiences with the major firms.

### **Corporate Vision and Strategy:**

Cardinal is a firm with a unique set of talents and opportunities. Cardinal is well connected to the political powers that run the State of Florida and some the larger cities in the state and could do an enormous Municipal securities business. Cardinal's principals Smith and Sweeney have considerable experience in structuring equity financings for corporate clients. Mr. Wechsler, the manager of the Boca Raton office has many years of experience in marketing insurance products and setting up "Wealth Management" programs. Insurance products being sold through Cardinal include: annuities, life insurance (whole & term), variable universal life and long term care insurance. Cardinal has also allied itself with a firm called Automated Enrollment Systems (AES). AES communicates benefits information to the employees of large companies and affinity group associations. In return for providing this service AES gets all the insurance contracts, 401K business and employee savings plans. To the extent any of these products involve equities or mutual funds Cardinal gets those commissions. Also if Cardinal introduces AES to the client corporation Cardinal gets half of all revenue generated.

Cardinal lacks only one ingredient to take advantage of its talents and opportunities and that is sufficient capital. To become a major player in the municipal securities business requires Five Million Dollars of net capital.

The three year "Bear Market" consumed Three Million Dollars of Cardinal's capital. It has taken all the energy and skill of Cardinal's principals to return the company to a position of financial stability and set a course for future profitability.

### **Sales and Marketing:**

It is believed that the ability to maintain and grow the client and revenue base will depend, in part, on the ability to maintain a high level of customer satisfaction. That satisfaction is, in great measure, dependent upon the investment professionals who serve the clients and local management who supervise the activities of the professional staff.

Cardinal will make available the whole universe of investment products and services, including, among other things, stocks, bonds, municipal securities, mutual funds, unit investment trusts, initial public offerings, private placements, insurance products and annuities. Services will include online account access, through the facilities provided by our clearing firm, Person Financial Services, Inc. clearing. Also, individual portfolios may be managed by our own investment advisory service or outside money management services. The corporate finance department will handle initial public offerings, mergers acquisitions as well as private placements.

**Investment Advisory:**

Cardinal's in-house advisory service has an enviable thirteen year track record of managing equity and fixed income accounts. This fee-based service is key to Cardinal's revenue. This service will be a major focus of future marketing efforts. Cardinal is already in touch with several large municipal pensions that would add substantial assets under our management. Additionally, Cardinal will brand and market its "wrap fee" product.

**Money Markets:**

Cardinal has a private-labeled, multi-faceted money market account which is a product of Reich and Tang, a firm that manages billions of dollars in several money market type portfolios. These accounts feature unlimited checking and a Cardinal Capital Management Visa or Mastercard.

**Management:**

Hershel F. Smith, Jr. has over 35 years experience establishing and managing broker dealers. He also heads our Investment Policy Committee.

Chief Operating Officer-Christopher A. Sweeney has over 27 years industry experience including: portfolio management, futures trading and management of mutual funds and annuities marketing. He is a General Securities Principal and a Municipal Securities Principal. He has structured institutional private placements and initial public offerings and has served in his present capacity since 1997. He is also a member of the Investment Policy committee.

Arnold Roseman serves as Chief Compliance Officer. Mr. Roseman has 32 years of industry experience. He holds licenses as a series 7 general securities agent, 24 general securities principal, 27 financial operations principal and 53 municipal securities principal.

Phillip Remek holds the series 7, 24 and 55 licenses and has as well completed the second phase of the three phase Certified Financial Analyst designation. Phillip is our resident analyst and portfolio monitor, a member of the investment policy committee and temporarily the branch manager and chief trader in the Miami office.

Grissel Carbonell holds a series 27 license and for 13 years has served as the company's financial operations principal.

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Michael Blank monitors trading, is the registered options principal and serves as the municipal securities principal. Michael holds the series 4 (registered options principal) 7, 24, 53, 55 (equity trader) licenses.

Michael Wechsler is the manager of the Boca Raton office and heads up the insurance and wealth management services.

**Summary:**

In sum, Cardinal is well positioned for growth. A capital infusion of Five Million Dollars would enable Cardinal to achieve the kind of growth projected in the attached proforma.

CARDINAL CAPITAL MANAGEMENT  
PRO FORMA STATEMENT OF INCOME

	1	2	3	4	5	6	7	8	9	10	11	12	End
Gross Revenue													
Interest Income	98,560	128,680	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	183,337
Listed Stock	168,070	215,210	250,870	293,500	351,710	363,180	403,350	445,160	470,160	517,710	542,710	591,490	4,613,120
Over-the-Counter	9,770	12,810	13,070	16,000	15,000	18,980	21,850	22,260	25,310	25,310	25,310	26,390	231,010
Options	2,500	5,000	5,000	7,500	10,000	10,000	12,500	12,500	12,500	15,000	15,000	17,500	125,000
Corporate Bonds	16,120	21,860	23,420	28,500	35,960	33,860	38,600	41,060	46,860	46,860	46,860	52,840	426,820
US Government	9,540	10,620	11,140	14,500	18,620	17,980	21,200	22,020	25,620	25,620	25,620	29,280	228,140
Municipal Bonds	16,310	13,430	14,210	18,000	22,930	21,940	25,550	26,780	28,780	30,930	30,930	35,170	282,860
Mutual Funds	29,510	24,362	58,330	66,500	81,690	75,620	82,650	90,440	90,440	100,890	100,890	111,910	913,432
Var. Annuities & Insurance	4,160	4,243	4,328	4,415	4,503	4,593	4,685	4,779	4,874	4,972	5,071	5,172	55,784
Investment Advisory Fees	0	0	0	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	1,170,000
Investment Banking	0	0	0	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	350,000
Municipal Finance	0	0	0	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	350,000
Total Gross Revenue	354,540	452,882	567,995	818,582	957,860	979,260	1,078,852	1,194,946	1,245,041	1,362,639	1,412,738	1,533,339	11,848,673
Fees													0
Cleaning & Execution Fees:													0
Total Fees	33,502	43,360	51,091	61,380	74,456	77,598	87,373	96,391	101,891	113,210	118,710	130,286	989,247
Net Revenue	321,038	409,522	506,904	757,202	883,404	901,662	991,479	1,098,555	1,143,150	1,249,429	1,294,028	1,403,053	10,859,427
Operating Expenses													
Salaries:													
Commission:	16,075	21,075	26,075	31,075	36,075	41,075	46,075	46,075	46,075	46,075	46,075	46,075	447,800
Executive Salaries	160,519	204,761	253,452	378,601	441,702	450,831	495,739	549,277	571,575	624,714	647,014	701,527	5,478,713
Manager Bonus:	9,631	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000
Payroll Taxes:	5,792	6,377	6,963	7,940	8,612	9,037	9,625	9,871	9,973	10,217	10,320	10,570	328,783
Employee Benefits:	21,659	26,584	31,953	44,968	51,778	53,191	58,181	63,535	65,765	71,079	73,309	78,760	1,053,316
Analyst Expense:	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
T&E	12,842	16,381	20,276	30,288	35,336	36,066	39,659	43,942	45,726	49,977	51,761	56,122	438,377
Vehicle Expense:	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Technology Costs:	5,325	5,325	5,325	5,325	5,325	5,325	5,325	5,325	5,325	5,325	5,325	5,325	63,900
Market Data & Research:	9,400	10,100	10,800	11,500	12,200	12,900	13,600	14,300	15,000	15,700	16,400	17,100	159,000
Rent	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	162,000
Office Supplies & Postage:	800	800	800	800	1,200	1,200	1,200	1,200	1,200	1,600	1,600	1,600	14,400
Postage:	1,100	1,100	1,500	1,500	1,750	1,750	2,000	2,000	2,250	2,250	2,500	2,500	22,200
Telephone:	7,500	8,500	9,500	10,500	11,500	12,500	13,500	14,500	15,500	16,500	17,500	18,500	196,000
Cell Phone-Direct:	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Insurance:	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	90,000
Marketing Leads	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Regulatory Fees	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000	13,000	14,000	15,000	16,000	126,000
Legal Fees:	20,000	20,000	20,000	20,000	30,000	30,000	30,000	30,000	40,000	40,000	40,000	40,000	360,000
Professional Fees:	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Accounting:	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Error Account	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Miscellaneous	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Total Operating Expenses	364,843	428,288	497,871	692,213	784,980	784,924	854,850	923,882	970,084	1,038,921	1,069,825	1,140,170	9,500,351
Net Income from Operations	(43,804)	(18,766)	9,033	84,989	118,424	116,737	136,628	174,572	173,066	210,508	224,404	282,883	1,459,076

**EXHIBIT K**  
**ADVICE WAIVER AND CONSENT**  
**AWC**

October 3, 2003



Mr. Christopher Sweeney, President  
Cardinal Capital Management, Inc.  
601 Brickell Key Dr.  
Suite 102  
Miami, Florida 33131

Re: Cardinal Capital Management, Inc. (Examination No. E07020062)

Dear Mr. Sweeney:

Please be advised that the NASD District 7 staff has made a preliminary determination to recommend that a formal disciplinary action be brought against Cardinal Capital Management, Inc. ("Cardinal") and yourself. The recommendation for a disciplinary action indicates that Cardinal, acting through you, may have violated the following NASD Rules: Membership and Registration Rule 1120, Conduct Rules 2110, 3010, 3070 and 3110 and Securities Exchange Act Sections 15(c) and 17(a) and Rules 15c3-1, 17a-3 and 17a-5. In particular, the disciplinary action may allege the following:

**NASD Conduct Rule 3010:** The firm failed to document Background checks on registered individuals.

**NASD Conduct Rule 3010:** The firm failed to maintain complete correspondence files for the period March 3, 2000 through August 11, 2002.

**NASD Membership & Registration Rule 1120 (Firm Element):** The firm failed to prepare a needs analysis for 2000 and failed to document that all registered personnel received training in 2000 and 2001.

**NASD Conduct Rules 3010 and 3070:** The firm and Christopher Sweeney failed to file customer grievance items as required by the rule.

**NASD Conduct Rule 2110:** the firm, acting through Christopher Sweeney, failed to provide honest, accurate answers to information requested by the staff during the examination. Sweeney signed the Information Request Form returned to the staff for use in focusing the exam, which indicated no underwriting of any type were done in the previous 24 months.

Investor protection. Market integrity.

Atlanta District Office  
One Securities Center  
Suite 500  
3490 Piedmont Road, NE  
Atlanta, GA  
30305-4808  
tel 404 239 6100  
fax 404 237 9290  
www.nasd.com

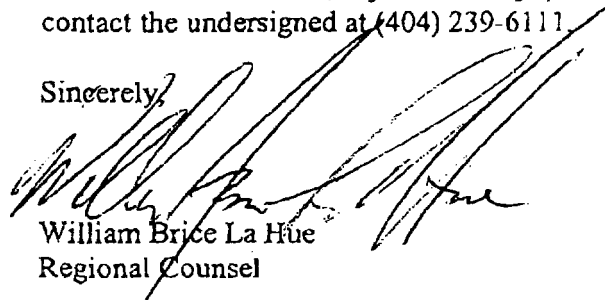
Mr. Christopher Sweeney, President  
October 3, 2003  
Page 2

**NASD Conduct Rule 2110, 3110 and SEA Rules 17a-3, 15c3-1 and 17a-5:** The firm and its Finop, Grissel Carbonell, failed to prepare an accurate general ledger and trial balance for the periods ending February 28, 2002, March 31, 2002, April 30, 2002, May 31, 2002, June 30, 2002, and prepared inaccurate net capital computations for these months along with January 31, 2002, September 30, 2002, and November 30, 2002. As a result of various errors and omissions in the general ledger, trial balance and net capital computations, the firm overstated its net capital in amounts ranging from \$16,541 to \$247,021, or by 32% to 192% of its original net capital. This resulted in the firm failing to maintain adequate net capital on January 31, 2002, February 28, 2002, March 31, 2002, April 30, 2002, September 30, 2002, October 31, 2002 and November 30, 2002. The firm continued to conduct securities business while under capital on January 31, 2002, February 28, 2002, April 30, 2002 and September 30, 2002, in violation of SEC Rule 15c3-1. As a result of the above errors, the firm filed inaccurate Focus Part IIA reports for January 2002, February 2002, March 2002, June 2002, and September 2002.

You may file a written submission ("Wells submission") indicating why an action should not be brought against you for some or all of the proposed alleged violations. Such statement is *not* treated as a settlement document and may be used against you at, among other things, an NASD disciplinary proceeding. Also, it must not exceed 35 pages. In order to ensure that your statement will be submitted with the staff's recommendation, please send it to my attention no later than **October 18, 2003**.

If you are interested in settling this matter prior to the issuance of a complaint please advise me. In addition, if you have any questions regarding the above notice, feel free to contact the undersigned at (404) 239-6111.

Sincerely,

A handwritten signature in black ink, appearing to read "William Brice La Hue", is written over the typed name and title.

William Brice La Hue  
Regional Counsel

**SACHER, ZELMAN, VAN SANT,  
PAUL, BEILEY, HARTMAN, ROLNICK & WALDMAN**

PROFESSIONAL ASSOCIATION  
ATTORNEYS AT LAW  
1401 BRICKELL AVENUE • SUITE 700  
MIAMI, FLORIDA 33131

TELEPHONE: (305) 371-8797  
TELECOPIER: (305) 374-2805  
E-MAIL: nvansant@sacherzelman.com

NANCY VAN SANT

December 23, 2003

Via facsimile (404) 237-9290  
and Airborne Express

William Brice La Hue, Esq.  
NASD Regulation  
Atlanta District Office  
One Securities Center, Suite 500  
490 Piedmont Road, NE  
Atlanta, Georgia 30305-4808

Re: *Cardinal Capital Management, Inc.*  
Examination No. E07020062

Dear Mr. La Hue:

This letter submission constitutes Cardinal Capital Management, Inc.'s Wells Submission with respect to the proposed charges enumerated in your letter of October 3, 2003.

NASD Conduct Rule 3010: Alleged Failure to Document Background checks on Registered Individuals.

As a practical matter, the firm did call, acquire information and/or otherwise contact all prior employers of brokers the firm was hiring. More importantly, a majority of the personnel hired during the examination period were brokers from R.K. Grace or Emerson Bennett. Cardinal had acquired certain selected assets of both of these firms and accepted tape-to-tape transfers of client accounts. Their former supervisors (Brent Martin from Emerson Bennett and John Kaweske from R.K. Grace) were also joining Cardinal together with the newly hired employees. The firm obtained the personnel files for those who were joining Cardinal as part of the asset transfer. As a consequence, the firm had the information available to it, although it may not have been produced or separately segregated as responsive to this item.





The only exceptions were as follows: Tom Pronesti, Craig Kullman, Jay Gintel, Scott Lain, McKinley Williams and Steve Aljeroudi. Pronesti, Kullman, Gintel, Lain and Bosseler were well known to one or more of the principals of Cardinal. References were requested from the former employers of Mr. Williams and Mr. Aljeroudi, and an inquiry was made regarding Mr. Bosseler, although no written notations of the results of such inquiries were retained because no adverse information was provided. Cardinal's new compliance director, Mr. Roseman, has established and implemented new procedures to document background checks.

NASD Conduct Rule 3010: The firm allegedly failed to maintain complete correspondence files for the period March 3, 2000 through August 11, 2002.

As set forth in greater detail in the attached affidavit of Grissel Carbonell, in or about January 2002, Ardith Steele, the firm's compliance officer took responsibility for the firm's compliance files and removed them to the firm's Boca Office. Custody of all the correspondence files were given to her, together with the ongoing responsibility for the maintenance and retention of these files. Ms. Steele physically picked up the files from the main Miami office, and thereafter all original correspondence was sent to Boca for custody and maintenance. On or about July 16, 2002, Ms. Steele was terminated by the firm, and she appears to have absconded or otherwise misplaced the firm's correspondence files upon notice of her termination. The firm has attempted to replicate the files and believes it should not be punished for the apparent acts of a disgruntled employee to steal or remove files.

NASD Membership & Regulation Rule 1120 (Firm Element): The firm failed to prepare a needs analysis for 2000 and failed to document that all registered personnel received training in 2000 and 2001.

In the year 2000, the firm had only a handful of brokers, all but one of which was working under one roof, so that close supervision of continuing education requirements could be met without a great deal of formality. A needs analysis was prepared for 2001. However, as noted above, substantially all the continuing education goals were met.

NASD Conduct Rules 3010 and 3070: The firm and Christopher Sweeney failed to file customer grievance items as required by the rule.

Through inadvertence, certain customer grievances may not have been timely reported to CRD. Part of the problem may have arisen due to the under-performance of Ms. Steele in her role as compliance director. In addition, due to necessary reductions in personnel and the loss of an experienced paralegal, at least one complaint for a legal proceeding was accepted from a process

server by an inexperienced clerical person and never brought to the attention of management and only surfaced when a motion for default was filed. In any event, once the apparent deficiency became known, Mr. Roseman, the firm's newly hired compliance officer became responsible for filing Rule 3070 reports and brought the required historical filings up to date. We understand that this is no longer an issue with respect to the current examination being conducted by the NASD.

NASD Conduct Rule 2110, the Firm and Mr. Sweeney - - Alleged Failure to Provide Accurate Information to Staff During the NASD Examination.

The sole basis for this alleged violation is Mr. Sweeney's statement that the firm had not participated in any "underwritings" in the last two (2) years. The firm and Mr. Sweeney do not understand why the NASD Examiners believe this statement is inaccurate, as the firm has not participated in any "underwritings," which Mr. Sweeney understood to mean "IPO's" or "secondary offerings."

NASD Conduct Rule 2110, 3110, and SEA Rules 17a-3, 15c3-1, and 17a-5 and Grissell Alvarez n/k/a Carbonell:

This series of violations is principally, but not exclusively, due to a singular fact - - which is whether or not the firm properly recorded certain certificates of deposit held at Gibraltar Bank as part of its net capital, the reversal of which - - according to NASD Examiners - - caused the firm's trial balances, general ledger, and FOCUS Reports to be inaccurate.

It is true that certain principals of the firm had a "gentleman's agreement" that certain CD's held at Gibraltar (or the proceeds thereof) would not be moved. However, this was not an enforceable "hold," "lien" or other encumbrance, nor was there a contract or was a letter agreement in effect. It was specifically understood with the principal loan and executive officer of Gibraltar that there would be no lien or UCC-1 filed, and there never was. The understanding was never reduced to writing nor was it intended to be. Apparently, someone at Gibraltar put a note in the files.

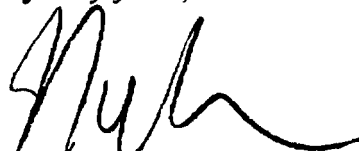
Gibraltar Bank routinely and repeatedly confirmed the unrestricted nature of Cardinal Capital's CD's in response to prior requests by NASD Examiners. Further, in response to audit confirmations issued in connection with the firm's year-end audit, Gibraltar confirmed to Cardinal's outside auditor that the CD's were free and clear of any restrictions. Once the situation became known, the bank and firm's documentation was immediately rectified to reflect the CD's as proper capital.

William Brice La Hue, Esq.  
NASD Regulation  
Atlanta District Office  
Page 4

CONCLUSION

We have provided this information in the expectation that it will be considered by the staff in determining the range of violations to be alleged, and/or a reduction in what sanctions may be deemed acceptable. We thank you for your courtesies in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'NVS', with a long horizontal flourish extending to the right.

Nancy Van Sant

NVS/gr

## AFFIDAVIT OF GRISEL CARBONELL

STATE OF FLORIDA                    )  
  )  
COUNTY OF MIAMI-DADE            )     SS:

I, Grissel Carbonell, the Financial Operations Principal of Cardinal Capital Management ("CCM"), being first duly sworn, depose and state:

1.     Ardith Steele became CCM's Compliance Officer on or about January 2002. In connection with that capacity, Ms. Steele had the responsibility for and kept all personnel and correspondence files under her control. Shortly after becoming Compliance Officer, Ms. Steele picked up all the original files from the Miami office and took them to the Firm's Boca Raton office. In or about July, 2002, Ms. Steele was terminated for cause.

2.     After Ms. Steele's departure, we were unable to locate the correspondence file, but we have attempted to replicate the same thereafter.

FURTHER AFFIANT SAYETH NOT.

Executed this 5<sup>th</sup> day of December, 2003.

  
Grissel Carbonell

NASD  
NOTICE OF ACCEPTANCE OF AWC

**Certified, Return Receipt Requested**

TO: Cardinal Capital Management, Inc.  
Christopher Sweeney  
1101 Brickell Ave.  
South Tower, 5<sup>th</sup> Floor  
Miami, FL 33131

FROM: NASD Atlanta District Office  
One Securities Centre  
3490 Piedmont Road, NE  
Suite 500  
Atlanta, Georgia 30305

DATE: December 17, 2002

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. C07020101

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted by NASD's National Adjudicatory Council ("NAC"), or by the Office of Disciplinary Affairs on behalf of the NAC, pursuant to amended NASD Rule 9216, effective October 1, 2001. A copy of the AWC is enclosed herewith.

You are again reminded of your obligation, if currently registered, immediately to update your registration (Uniform Application for Securities Industry Registration or Transfer) ("Form U-4") and Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify NASD in writing of any change of address or other changes required to be made to your Form U-4 and Form BD.

You will be notified by CRD/Public Disclosure regarding sanctions and by the Finance Department regarding the payment of any fine.

If you have any questions concerning this matter, please call the undersigned at (404) 239-6111.



David E. Paulukaitis  
Associate Director

Enclosure

cc: Ms. Nancy Van Sant, Esquire  
Sacher, Zelman and Van Sant  
1401 Brickell Ave., Suite 700  
Miami, Florida 33131

**NASD REGULATION, INC.**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. C07020101**

**TO:** Department of Enforcement  
NASD Regulation, Inc.

**RE:** Cardinal Capital Management, Inc.  
Member  
CRD No. 24605

Christopher Sweeney  
General Securities Principal  
CRD No. 823375

Pursuant to Rule 9216 of the National Association of Securities Dealers, Inc. ("NASD") Code of Procedure, we submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD Regulation, Inc. will not bring any future actions against us alleging violations based on the same factual findings.

We understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD Regulation, Inc.'s Department of Enforcement, Office of Disciplinary Affairs ("ODA"), and the National Adjudicatory Council ("NAC"). Executed AWC's will not be forwarded to the NAC until approval by the Department of Enforcement and ODA;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us; and
3. If accepted:
  - a. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by the NASD against us;
  - b. this AWC will be made available through NASD Regulation, Inc.'s public disclosure program in response to public inquiries about our

disciplinary record;

- c. NASD Regulation, Inc. may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
- d. We may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects our testimonial obligations or right to take legal positions in litigation in which the NASD is not a party.

We also understand that our experience in the securities industry and disciplinary history may be factors which will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Cardinal Capital Management, Inc. ("Cardinal") was admitted to membership in the Association on August 30, 1989. Cardinal operates on a fully-disclosed basis, clearing its business through Schroder & Co., Inc. Its primary source of revenue comes from risk less principal transactions and agency commissions on listed and OTC equities. Cardinal has no disciplinary history.

Christopher Sweeney ("Sweeney") is registered as a general and municipal securities principal. Sweeney entered the securities industry in 1976 with Merrill Lynch. Sweeney was employed by Cardinal in September 1995 as Executive Vice-President. Sweeney became Compliance Officer in late January 1998 and later ~~President~~. He has no disciplinary history.

C.O.D.

I.

#### WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under the NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against us;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and

- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, we specifically and voluntarily waive any right to claim bias or prejudice of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

We further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

## II.

### ACCEPTANCE AND CONSENT

- A. We hereby accept and consent, without admitting or denying the alleged violations, to the entry of the following findings by NASD Regulation, Inc.:

During the period from April 1, 1998, through at least March 2, 2000, Cardinal executed principal equity transactions for its own account as well as customer accounts through its clearing firm. During this period, Cardinal did not have anyone registered as an Equity Trader. Certain individuals effecting transactions registered to take the Series 55 equity trader examination, but no one employed by Cardinal took the exam prior to March 2000. In addition, two individuals who effected transactions on behalf of Cardinal were employed in August 1998, and thus did not qualify for the two year window for registration available to traders trading as of April 1, 1998. Sweeney was responsible for registration and the supervision of Cardinal's traders. Sweeney was not registered as a Series 55 equity trader during the relevant period.

Such failure by Cardinal and Sweeney to qualify equity traders and Sweeney to personally qualify as an equity trader violates NASD Membership and Registration Rule 1032(f) and Conduct Rule 2110.

Cardinal is subject to NASD Conduct Rule 3070 (the customer complaint reporting requirement) which became effective October 15, 1995. Since that date, Cardinal has not made any filings pursuant to Conduct Rule 3070, although it has had at least 4 reportable events (an arbitration settlement and three customer complaints). Such failure to submit reports,



pursuant to Conduct Rule 3070, is in contravention of NASD Conduct Rules 2110 and 3070.

In addition, as ~~president~~ and director of compliance, Sweeney was responsible for ensuring Cardinal's compliance with the customer complaint reporting requirements of Conduct Rule 3070. Sweeney failed to properly supervise in that he failed to ensure Cardinal's compliance with Conduct Rule 3070. Such failure to supervise by Sweeney is in contravention of NASD Conduct Rules 3010(a) and 2110.

- B. We also consent to the imposition, at a maximum, of the following sanctions:

As to Cardinal, a \$5,000 fine for its failure to register its traders as series 55 equity traders and a \$7,500 fine for its failure to report pursuant to Conduct Rule 3070.

As to Sweeney, a \$2,500 fine for his failure to register as a series 55 equity trader and cause Cardinal to register its traders and a \$5,000 fine for failure to supervise Cardinal's compliance with Conduct Rule 3070.

The sanctions imposed herein shall be effective on a date set by the Association staff.

### III.

#### OTHER MATTERS

- A. We understand that we may attach to this AWC a Corrective Action Statement, which is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD Regulation, Inc., nor does it reflect the views of NASD Regulation, Inc. or its staff.
- B. We agree to pay any monetary sanctions imposed on us upon notice that this AWC has been accepted and that such payments are due and payable, and have attached an Election of Payment form showing the method by which we propose to pay any fine imposed.
- C. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.


We certify that we have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce me to submit it.

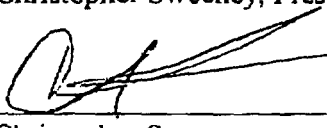
Cardinal Capital Management, Inc.

6/27/01  
Date

6/27/01  
Date

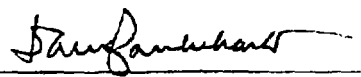
By:

  
Christopher Sweeney, President

  
Christopher Sweeney

Accepted by NASD Regulation, Inc.:

\_\_\_\_\_  
Date

  
David E. Paulukaitis, Assoc. Director  
NASD Regulation, Inc. District 7

Attachment

ELECTION OF PAYMENT FORM

I intend to pay the fine proposed in Section II of the Letter of Acceptance, Waiver and Consent by the following method (check one):

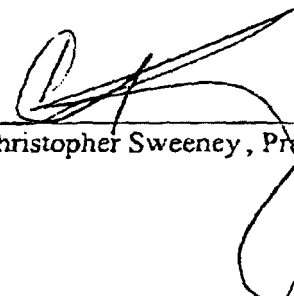
- ☒ A personal check or bank check for the full amount;
- ☐ Credit card authorization for the full amount;<sup>1</sup>
- ☐ The installment payment plan (only if approved by NASDR staff and the National Adjudicatory Council).<sup>2</sup>

Respectfully submitted,

Cardinal Capital Management, Inc.

6/27/01  
Date

By:

  
Christopher Sweeney, President

<sup>1</sup> Only Mastercard and Visa are accepted for payment by credit card. If this option is chosen, the appropriate forms will be mailed to you, with an invoice, by the NASD Regulation, Inc.'s Finance Department. Do not include your credit card number on this form.

<sup>2</sup> The installment payment plan is only available for fines of \$5,000 or more. Certain interest payments, minimum initial and monthly payments, and other requirements apply. You must discuss these terms with the NASD Regulation, Inc. staff prior to requesting this method of payment.

January 15, 2003



Certified Mail # 7001 1940 0000 0536 4385

Return Receipt Requested

Cardinal Capital Management  
1221 Brickell Avenue, Suite 1010  
Miami, FL 33131  
Attention: Compliance Department

Re: Request for Payment of Fines and/or Costs

Dear Sir or Madam:

As you are aware, the following monetary sanctions were imposed against you or your firm in connection with Complaint Number C07020101:

Fine:	\$ 5,000.00
Fine:	7,500.00
Costs:	0.00

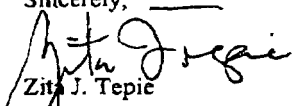
Total \$ 12,500.00

Payment in full is due within ten (10) business days from the date of this letter. Enclosed please find a list of methods for payment of fines/costs. If applicable, satisfactory proof of restitution must be provided to the District Office or Market Regulation Department promptly. NASD Rule 8320 requires prompt payment of all monetary sanctions, including restitution or disgorgement, and provides for the expulsion of a firm's membership in the Association and/or revocation of an individual's registration for failure to pay such monetary sanctions.

Checks should be made payable to NASD and mailed with the attached copy of this letter to: NASD, P.O. Box 7777-W8820- Philadelphia, PA 19175-8820 (Attention: Zita Tepie -Fines & Costs) in the enclosed envelope. Please reference the Complaint number C07020101 on the check for proper credit. In cases of extreme urgency send your remittance by courier or overnight delivery to NASD, W8820-c/o Mellon Bank Room 3490, 701 Market Street-Philadelphia, PA 19106 - Attention Fines & Costs.

Should you have any questions regarding this letter, please contact me at (240-386-5392)

Sincerely,

  
Zita J. Tepie  
Disciplinary Fines Coordinator  
Finance

cc: Nancy Van Sant, Esq.  
1401 Brickell Avenue, Suite 700  
Miami, FL 33131

Attachment

ELECTION OF PAYMENT FORM

I intend to pay the fine proposed in Section II of the Letter of Acceptance, Waiver and Consent by the following method (check one):

- ☒ A personal check or bank check for the full amount;
- ☐ Credit card authorization for the full amount;<sup>3</sup>
- ☐ The installment payment plan (only if approved by NASDR staff and the National Adjudicatory Council).<sup>4</sup>

Respectfully submitted,

6/27/07  
Date

By:

  
Christopher Sweeney

<sup>3</sup> Only Mastercard and Visa are accepted for payment by credit card. If this option is chosen, the appropriate forms will be mailed to you, with an invoice, by the NASD Regulation, Inc.'s Finance Department. Do not include your credit card number on this form.

<sup>4</sup> The installment payment plan is only available for fines of \$5,000 or more. Certain interest payments, minimum initial and monthly payments, and other requirements apply. You must discuss these terms with the NASD Regulation, Inc. staff prior to requesting this method of payment.